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JULY, *1892.*

ANNALS

OF THE

Congress. In other words, the initiative and conduct of the business of legislation is to be transferred from the members of Congress to the officers of the Executive department. This would be a new method of legislation, which properly be entitled, "irresponsible Cabinet [illegible] Cabinet," says Mr. Bradford, "would [illegible] a series of

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CABINET GOVERNMENT IN THE UNITED STATES.

In the number of this Review for November, 1891, an article appeared by Mr. Gamaliel Bradford, entitled, "Congress and the Cabinet," in which Mr. Bradford discusses the bill reported in 1881 by Senator Pendleton, to give the members of the Cabinet seats upon the floor of the Senate and House of Representatives, with the right to participate in debate, and to give information asked by resolution or in reply to questions propounded to them under the rules of the Senate and House. In the report of the special committee having this subject in charge there is nothing to [redacted]hat the members of the Cabinet were expected to ing more than appears upon the face of the bill. Bradford, in discussing it, has assumed nothing a revolution in our methods of legislation. In- he mere "privilege to give their suggestions and debate, by word of mouth," as proposed by the Committee, the members of the Cabinet are, in ford's interpretation of the bill, to take the initia- eparing and in introducing bills for the action of

government." "The Cab... be ready to present, at the opening of the session, ... measures perfectly prepared from the point of view of the general interest, and would at once demand and receive for these the attention of the Houses in separate succession." Of course it follows that the system of referring bills to legislative committees would be abolished, and the whole business of Congress would be done in open sessions, under the guidance of the Cabinet ministers. Now, whether this change be desirable in itself or not, it certainly is not the question raised by the proposed bill; and it is difficult to see how this bill could, by any possibility, have that effect. That the committee, of which Mr. Pendleton was chairman, had no such object as this in view is made clear by the report which accompanied the bill. "The head of a department," the committee declared, "reporting in person and orally, or participating in debate, becomes no more a member of either House than does the chaplain, or the contestant or his counsel." Again, "Your committee is not unmindful of the maxim, that in a Constitutional government the great powers are divided into legislative, executive, and judicial, and that they should be conferred upon distinct departments. These departments should be defined and maintai... it is a sufficiently accurate expression to say that the... be independent of each other," but not necessarily... separate. The committee states further, that in it... the bill would not aggrandize or impair the executi... as defined in the Constitution. "It will not ch... relations of the Cabinet to the President and C... The heads of departments "cannot assume undu... ship in Congress, because success will not prolong, ... will not terminate, their tenure of office." "Th...

SUPPLEMENTS.

CONSTITUTION OF THE REPUBLIC OF COLOMBIA.—Translated with an Historical Introduction by Professor BERNARD MOSES.

Supplement, January, 1893.

CONSTITUTIONAL AND ORGANIC LAWS OF FRANCE, 1875–1889.—Translated with an Historical Introduction, by C. F. A. CURRIER.

Supplement, March, 1893.

rence of opinion between the President and Congress is not essential, perhaps is not possible."

There would seem to be nothing, therefore, in the proposed bill, or in the accompanying report, that would indicate any intended change in the system of legislation by committees, or any transfer of the initiative therein to the executive. Indeed, would not such active participation in legislation by the heads of departments be directly contrary to the spirit of that clause of the Constitution which declares that "no person holding any office under the United States shall be a member of either House during his continuance in office"? The position of the founders of our institutions, on this point, is still more definitely expressed in the Massachusetts Bill of Rights: "In the government of this Commonwealth, the legislative department shall never exercise the executive and judicial powers, or either of them; the executive shall never exercise the legislative and judicial powers, or either of them; the judicial shall never exercise the legislative and executive powers, or either of them; to the end it may be a government of laws, and not of men." In view of the notorious attempt of George III., toward the end of the last century, to tyrannize over the English Parliament and nation, the thing that the framers of our Constitution most feared in government was the excessive power of the executive; and to prevent this, they emphasized strongly the separation of the executive and legislative departments. There was nothing in the Constitution, however, to prevent the President and the Cabinet officers from making oral communications to the Houses of Congress; and that, in fact, was a common practice during the first administration of Washington. Moreover, in the Act of Congress of September 2d, 1789, establishing the Treasury Department, the Secretary of the Treasury was "to make report, and give information to either branch of the legislature, *in person or in writing* (as may be required), respecting all matters referred to him by the Senate or House of Representatives, or which shall per-

tain to his office." In the debate on this measure, in the House, it was objected that it would "establish a precedent which might be extended until we admitted all the ministers of the government on the floor . . . . thus laying the foundation for an aristocracy or a detestable monarchy." Although the above-mentioned provision was retained in the bill, it was soon afterwards determined by Congress that the Secretary of the Treasury should communicate to Congress in writing, and not in person, and that has since been the practice. The strict right to take part in debate might, perhaps, be brought into the category of communications to Congress, and not violate the letter of the Constitution, though it would evidently not be in accordance with the intention of the framers of that instrument. Be that as it may, the intention of the Pendleton Bill did not go beyond this strict right of communication and debate. "We are dealing with no new question," says the report; and it then refers to the above-mentioned practice in Washington's administration. Now the Pendleton Bill, in this limited sense, if enacted into a law, would, perhaps, do no serious harm, unless, indeed, it should tend to create friction between the two departments, or be followed up on the part of the executive by intrigue and the use of patronage in support of its views. But, on the other hand, would it be of great advantage in legislation? How could it, for instance, eradicate the evils of legislation, which Mr. Bradford so much deplores? It is difficult to see how it could change in the least the method of legislation by committees, which is, perhaps, the feature most open to criticism. With no right in debate except to favor or oppose bills already introduced, and already acted upon by committees, it is hardly probable that the heads of departments could ever become leaders of parties in Congress. They could undoubtedly make known the opinions and desires of the executive department in regard to proposed bills; and, in the case of a certain class of bills touching the business of this department, it might be highly useful. But in regard to the great

majority of bills, not of this nature, it is a mistake to assume that the opinion of the Cabinet ministers would have greater weight, or, indeed, be more valuable than that of Congressmen. As to that part of the proposed measure which requires the members of the Cabinet to answer questions in the Houses of Congress, there is perhaps no serious objection. If it should cause the executive business, especially in the field of foreign relations, to be done more in the light of day, it might be a distinct advantage. But the scheme, as a whole, hardly appears so unquestionably advantageous, that one can reasonably impute unworthy motives to Congressmen for neglect to make it a law. And may it not be doubted whether Mr. Bradford, even, would be satisfied with the Pendleton Bill as thus strictly defined?

What Mr. Bradford would seem to desire for the United States is responsible Cabinet government; but as that cannot be had without a radical change of the Constitution, he proposes that Congress shall voluntarily transfer the conduct of legislation to the wholly irresponsible officers of the executive department. Now, granting that Congress would consent thus to efface itself—a possibility so remote as to be hardly worth considering—is it certain that we should have better laws, or a better system of legislation? "The President," says Mr. Bradford, "represents the country as a whole, and is therefore in a position to consider the 'general interests of the people.'" But how can the President represent the country as a whole on any question which interests every part? Take, for instance, the question of the free coinage of silver; the South is for it, the East against it, and the West divided. No one man can represent all these views. The only way to settle the question is by the vote of a majority of the representatives of all sections of the country. Is there not fallacy in the statement that "the people of the United States, as a whole, are not represented at all in either House of Congress?" It is true that each member represents a locality; but as a body, Congress represents every State and district in the land. And not only

the majority of the people are represented, but, taking the country as a whole, the minority as well. Whereas, the President represents merely the majority, and often, indeed, not that. On what theory can President Harrison, for instance, be said to represent the States or people of the South, or any other part of the nation which cast their votes against him and against the principles which he advocates? It may be said that, in the case of bills of a purely local or sectional interest, the Cabinet officers might counteract the "log-rolling" propensities of individual Congressmen. But if the President chooses to use it, he has now in the veto power a pretty effectual check on that species of legislation. There was an excellent opportunity of this kind in the recent Chinese-exclusion Act. The difficulty here is that the President is dominated by the same party exigencies that prevail over Congressmen.

Again, Mr. Bradford would seem to believe that by giving the initiative in legislation to the executive officers, such laws as the McKinley Act, of which he disapproves, would not be enacted. On the contrary, would it not facilitate the passage of such bills if they were supported by the executive and its influence? We can hardly assume that the President will be opposed to the principles of his party. The McKinley Act was passed because a majority of the representatives of the people, in Congress, were in favor of it; and no one will say that it was not openly and fairly discussed. It is true that unwise laws are passed; but much of the fault lies with the people rather than with their representatives. And as Mommsen says of the Roman Republic, "while they did not stop the evil at its source, it was to little purpose that the better disposed listened with anxiety to the dull murmur of the swelling flood, and worked at dykes and dams." Legislation will not be greatly improved by putting it into the hands of leaders, while the vicious practices of the caucus and the "spoils system" go on unchecked; eradicate these evils and reform in methods of legislation will follow. The overgrown power of the Speaker and the exag-

gerated committee system in our legislation are not integral parts of the Constitution; they are subject to the temporary rules of the House, and may be modified or abolished at pleasure. This would seem to be a more fitting point of attack for our critics and for "popular agitation" than to attempt to remedy the evil by the doubtful expedient of transferring the conduct of legislation to the executive branch of the government, even were it possible to do so.

Probably no one will deny that our system of legislation has its faults, but is there any system that is perfect? The question should be, which system is the safest in the long run? The important thing in legislation is not to have a machine which will turn out laws with the least friction—where there is no friction, there is very likely to be despotism—but which shall be government by the people, and still protect their fundamental rights against anarchy on the one hand and tyranny on the other. It may be doubted whether the rule of the people will for a long time to come be a very orderly kind of government. Mistakes may be costly, but they will be corrected; the serious danger to guard against is dishonesty and corruption, and for this mere dykes and dams will not be adequate.

As to the larger question of Responsible Cabinet Government, as compared with ours, I have discussed it elsewhere,* and will therefore limit myself in this paper to a brief statement of some points of difference, and to the opinions of some recent writers upon the subject.

The critics of our system of government have as a rule dwelt upon its defects only, leaving its advantages entirely out of view; and on the other hand, in comparing it with the English system, they have as carefully extolled the excellencies of that system, ignoring its weaknesses. Now, let us for once reverse this process, and point out, first, some of the defects of Cabinet government. The feature of their government, which is causing most anxiety in the minds of many educated Englishmen, is perhaps the unchecked power

* Papers of the American Historical Association, vol. iv,. part 3, p. 109.

of the House of Commons; which has gradually "arrogated to itself the character of a constituent national convention to impose any changes in the national institutions it sees fit." There was no danger so long as the House of Commons represented only the educated and wealthy classes, who, whether Whig or Tory, were always conservative, differing in that respect only in degree. But will it be the same now that the masses, comprising the ignorant, the radical, and the discontented elements of society, are represented in the House of Commons, and have a voice in appointing the cabinet and in shaping the legislation of the kingdom? Mr. Bagehot was frank enough to say that he was "exceedingly afraid of the ignorant multitude of the new constituency;" he felt that if they once discovered their power and determined to use it, there was no check which could stay their hand. Mr. Caleb Cushing once put in terse language this inherent weakness of the English form of government. He said: "Now, the submergence of the power of the Crown in Parliament, and that of Parliament in the House of Commons, and the commitment of all these powers to transitory nominees of the House of Commons, are facts which, combined, have produced the result that government in England is at the mercy of every gust of popular passion, every storm of misdirected public opinion, every devious impulse of demagogic agitation—nothing corresponding to which exists in the United States."

Another and the most prominent defect of cabinet government is the instability of the ministers. Cabinet government is the government of a party; and for its successful operation it must have at all times a majority at its back in Parliament. If it were possible to direct the current of public opinion into exactly two channels there would be but two parties, one of which would generally be in the ascendency; but in practice this is found to be a very difficult thing to accomplish, and it becomes the more difficult as the right of suffrage is extended to the mass of the people, with their ever varying interests. In the countries of Continental

Europe, parties, if indeed they may be said to exist, are broken up into groups, no two or more of which ever act together for any considerable length of time; and ministries are, without a moment's notice, confronted at brief intervals with opposing majorities, and must give place to others, whose tenure of office is, however, equally unstable and ephemeral. "A cabinet," said the late Professor de Laveleye, "is never sure of its majority. . . . To-day it obtains a vote of confidence comprising two-thirds of the voters; a few days later, it falls, on account of some incident of insignificant importance. In order to keep its partisans united it must engage without ceasing in compromises, concessions and combinations. . . . A chief of a group, local or provincial, desires a road, a bridge or a railway; he must be accorded everything he demands, or he will carry his forces over to the opposition and defeat the government. The amount of thought, of adroitness, of eloquence, and of suppleness which a minister is obliged to make use of in order to keep his place, even for a year, is prodigious. The most difficult work of a diplomat is child's play by the side of it." Is it a cause for wonder, then, that ministries are unstable and that legislation and administration are paralyzed? It may be said that they do these things better in England; but even in England there are not lacking evidences of the same evil. Speaking of parliamentary government in England, Professor Gneist says: "After all correctives for the moderation of the social conflicts of interest have ceased, *this* kind of party rule falls into a helpless dependence on unforeseen combinations of social interest, on prejudices relatively stronger, on political agitation and the tactical skill of party-movement, to which already, under the second Reform Bill, Disraeli, as well as Gladstone, owe their respective positions. The twofold division into a Conservative and Liberal parliamentary party, which previous to the present parliamentary government was necessary, in reality no longer exists. For a length of time, side by side with the two parties, there have existed (as in Germany) radical, denomi-

national, national sections, having their special interests, with 'independent' members and others, whose number is slowly, but steadily, on the increase. The bearing of the English Parliament had already become so changed under influence of these factors that it was found expedient to impose stern restrictions on the liberty of speech, once even (in 1881) by the exclusion of thirty-two fractious members. Already, since the Reform Bill of 1867, the dismemberment of parliamentary parties has, in substitution of a party-government on traditional lines, led to the quasi-dictatorial position of a single statesman, a personal interpreter of the actual average of public opinion! Till the advent of Radical Governments, therefore, there is nothing for it but Coalition Ministers."

For how long a time did the Home-rule party block the business of Parliament, and render the tenure of ministerial office almost as precarious as in France or Italy? It is true, the dead-lock was broken, but it was broken only by resorting to the device of Mahomet, that of going to the mountain if the mountain would not come to him. Parnell would not go to Gladstone, so Gladstone went to Parnell. He had already gone to the Radicals, and, if his speeches are an index, he is now far on the road to the Socialist camp. There is no other alternative; one of the two great parties must yield to any faction which becomes strong enough to hold the balance of power between them, or suffer the inevitable consequences—instability and impotence of government. "No such instability," says Judge Hare, "can well occur in the United States, where if a third party rendered ordinary legislation impracticable, with the view of obtaining some real or fancied benefit for a peculiar State or section, it would still be possible to vote the supplies; and the government would proceed in its accustomed course under the guidance of the President, notwithstanding the discord which prevailed in Congress."*

The absolute necessity, moreover, of maintaining a party majority in support of the ministry, if Cabinet government

* Constitutional Law, I. 179.

is to be successful, as in England and Belgium, has engendered in those countries a most excessive and vicious influence of party. The rank and file of a party are drilled down to a dead level of opinion; no "difference of creed" is permitted, and any independence of thought or action in political matters is sternly rebuked. The leader is to formulate a policy, and the mass of the party must accept it without question. "Government can go on," said Professor de Laveleye, "only by rigid discipline in the party, otherwise it ends in confusion, impotence and discredit."

There is a certain attractiveness in the principle of perfect organization under the guidance of a single mind; we cannot but admire the orderly precision of a well disciplined army, or the effective methods of a thoroughly drilled fire-brigade. They represent simplicity and strength, and are in these respects wholly commendable. Organization for a single purpose is an excellent thing, if the purpose be worthy; but organization without a special object—for merely general purposes—is pretty sure to degenerate into organization for the sake of the organization; it will then be supported from selfish motives, and will fall under the power of self-seeking leaders. Burke defined party as "a body of men united for promoting by their joint endeavors the national interests upon some particular principle upon which they are agreed." Except in this sense, parties are an evil; and the more strictly they are disciplined and the more obedient they are to leaders, the greater is the evil. Unscrupulous and dishonest men will always have the advantage over honest men as political drill-masters; what else indeed does the "machine" in our politics mean? Under these conditions, too, patriotism comes to mean loyalty to party or the party leaders, and desertion from the party is branded with the stigma of treason.

It will doubtless be said that we have this same defect in our party divisions. The evil is certainly a very serious one with us, and is, among other results, the chief cause of inefficient and even vicious legislation in the United States.

But the difference is that the government in our system does not depend for its existence upon a party majority in the legislature; it may, and frequently does, exist in the face of a hostile majority. Hence there is not so much at stake in breaking the party lines, and independence of political action is therefore much more common both among individuals and in the press; and, notwithstanding the assertion of partisan leaders to the contrary, it is a most healthy and corrective element in our politics. The rank and file of the party retain their individuality, and responsibility for their actions, instead of transferring both to leaders. There is something so un-democratic, too, in this deference and obedience to leaders, something so foreign to the character of the American people, that it is hardly conceivable that they should ever resort to it. As M. de Laveleye said of Cabinet government in Belgium, "it stifles individual initiative and kills originality in political matters."

Nor is it to be assumed, because England has suppressed the "spoils system," that only responsible government is capable of accomplishing this task; it is the argument "*post hoc propter hoc*," and really proves nothing. The use of patronage in France, Italy and Greece continues to flourish with little attempt at restraint, and is more vicious than it ever was in the United States; the incentive to resort to it is stronger indeed where the continued existence of the ministry depends upon retaining a majority. As to other forms of corruption, the history of administration in the United States will bear comparison with that of any other State. That we need a radical reform in the system of legislation by committees, which permits of bare-faced corruption by the lobby, will hardly be disputed; but we should guard against applying a remedy which may prove to be worse than the disease.

Some of the advantages of our system of legislation have been indicated in the preceding pages, by comparison with the defects of Cabinet government. It may be said further, that we have in the Senate, one of the most efficient legislative bodies that have ever existed in any country. It is the

object at once of the admiration and the envy of the statesmen of Europe of all parties; and even our most severe critics are constrained to admit the excellence of its legislative methods. We have, then, a powerful corrective, in the Senate, of the inefficient legislation of the House.

Without going further into the details of our legislative system, it may be said finally, that we possess checks upon hasty and dangerous legislation touching all the important fundamental rights of the people, which do not exist in countries governed by responsible cabinets. And if we compare the actual working of our government with that of Cabinet government in any country except England, we shall find the advantage strongly in our favor, rather than against us. If one is inclined to doubt this statement, let him read Professor de Laveleye's account of parliamentary government on the continent of Europe, in his last book (*Le gouvernement dans la démocratie*). In the opinion, too, of Professor Gneist, than whom no one has made a more thorough study of English institutions, the English Parliament, by the recent extension of the suffrage, is now exposed to the same influences, and is exhibiting the same defects which prevail on the continent.

It seems somewhat singular that Americans should continue to write essays and books in praise of responsible Cabinet government, when that system is not only being discredited at home, but when, as these same writers admit, there is not the remotest possibility of its introduction into this country. Is not this a waste of energy that would be better employed in a direct attack upon the evils complained of? Mr. Bradford considers the ballot and civil service reforms as mere details and of minor importance; but they are details, which if carried out, will undermine the worst of our political evils. What Mr. Bradford says of the necessity of greater publicity in our legislative methods is undoubtedly true, but it is not so certain that this can be brought about by the changes which he proposes.

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SCHOOL SAVINGS BANKS.

The School Savings Banks system, so favorably known and acceptably used in some European countries, has attracted considerable attention in the United States during the past year. Its experimental introduction in a few schools here has proven it a successful and valuable educational factor. It would appear that only a wider knowledge of the simplicity of inculcating thrift, in connection with book learning, was required to insure its general adoption.

School Savings Banks are in use in three hundred schools in this country, and the 28,000 scholars who are depositors have about $140,000 to their credit. These School Banks are in eleven different States, Pennsylvania having one hundred and forty of them and New York sixty-five; the others being in Nebraska, Vermont, Maine, Indiana, California, Ohio, North Dakota, Massachusetts and New Jersey. These have, with few exceptions, have been established since 1888; most of them during 1890, 1891 and 1892. Frequent inquiries as to the practical working and advantages of the system betoken popular interest in this method of teaching economy. Anything that promises such national reform in the production of self-depending and self-supporting citizens, such a perceptible decrease of crime and pauperism necessarily arrests the attention of thinking people.

Dr. W. T. Harris, Commissioner of Education for the United States, devotes several pages of his last Annual Report to School Savings Banks.* The teaching of economy in the public school will be more fully recognized in the future, for it has been undeniably proven one of the most acceptable acquisitions to school life. It gives a child individuality and makes him part and parcel of the productive and independent force of the nation before he

* Since reprinted in pamphlet form.

has been allowed to feel he is a nonentity or a dull drain on the resources of his parents. It fosters equality, arouses thought and inculcates habits of thrift, which are preventive of the small practices which lead to vice.

The idea of School Savings Banks dates back to 1834, when Dulac first introduced it in a communal school in Le Mans, France. No general thought was given to the subject until some years later, though the system was established in Würtemberg in 1846 and in Buda-Pesth in 1866. In 1866, Professor Laurent, of the University of Ghent, appreciating the practical value of School Savings Banks, devoted some time to advancing and explaining their advantages to educators and people, going from one school to another in his philanthropic mission. As the result of this effort a number of School Banks were opened in Belgium, and during the year closing July, 1891, some $800,000 were deposited by the children. Banks were also established in Germany and France and were later introduced in Italy and Holland.

France, which now leads the world in this movement, owes her progress in this department of education to Monsieur A. C. Marlace, who doubtless sits to-day, as usual, in his Paris study pondering on the condition of the system in the twenty-three thousand schools in the French Republic or compiling statistics of their relative economies. He has for twenty years devoted his life to this work. Deputed by the government he made a study of educational methods, with special reference to economic instruction, at the International Exposition in Vienna in 1873. He consulted with Professor Laurent and other philanthropic leaders. He visited schools in Germany, Belgium and England where Savings Banks were in use and made a close study of their methods of administration. Returning to Paris he reported that nothing could afford greater amelioration to the poor than the careful institution of School Savings Banks. Monsieur Marlace formulated a system, born of his thoughtful study and accumulated knowledge, and under the protection of the government it is now in use throughout France. 23,375 schools

receive and care for the savings of the children and 478,173 pupils have opened accounts in their own names in Savings Banks where their deposits aggregate 12,683,312 francs. The French acknowledge this practical inculcation of economy, this equalization of wealth, as a most reliable reform factor.

Madame Carnot, wife of the French President, gave a Christmas entertainment in 1888 to four hundred of the poorest school children in Paris at Élysée Palace and gave each child a School Savings Bank book with credit of ten francs. Many lesser instances of practical encouragement to the poor are cited by the French press. The greatest assistance that can be extended to an individual is to teach him to help himself; to see and understand his own resources and responsibilities. Pope Leo XIII. at a Papal jubilee gave a Bank book and one hundred francs to each boy and girl in a certain district, born on New Year's day. A contribution of one franc or a half franc to start a school account, given to a child, or better, an opportunity shown him to earn the same amount instills the initial lesson of economy quite as effectually.

The system is in use in Germany, Hungary, Russia, Switzerland, Denmark, Holland and England, but administered often by private associations. Manchester and Liverpool, in England, have the system in rather general use since the free educational act went into effect. An English journal of September, 1891, says "The three-pence weekly school fee, under the old system, has been made the lever of an economy of no little consequence. Parents are asked to deposit in Savings Banks the three pence which formerly went to the State. Many school managers have opened School Savings Banks in connection with the schools. In Manchester, where the increased attendance is upward of two thousand, no less than five thousand new accounts have been opened in School Savings Banks."

The first public mention we have record of relating to the work in this country is a paper read by Mr. John P. Town-

send, of New York, before the American Social Science Association in 1876, and articles for the press by Mr. T. S. Merrill, of Beloit, Wisconsin, written about the same date. Mr. Merrill consulted authorities abroad and had School Savings Banks introduced into the public schools of Beloit on a simple plan which yielded, for five years, excellent results. Mr. W. H. Beach was principal of the school during these years and on his removal to Madison the banking system was discontinued through lack of interest by the new principal. Mr. Beach wrote to me recently as follows in regard to its effects in Beloit school: "The boys and the girls acquired industrious habits, were looking for and doing work during vacation. The system led to economy of time and energy as well as money. It made better and more thoughtful students. It promoted liberality, inasmuch as it insured means with which to be generous when occasion presented." I quote Mr. Beach because he had the first experience with School Savings Banks in the United States.

In the winter of 1879–80 Captain R. H. Pratt, of the Carlisle Indian Industrial School, established a savings system for the Indians under his supervision. "It was founded on no criterion," he writes, "but was simply the result of my judgment that in teaching the Indians the use of money we must necessarily have the money; to teach them to save it, and to be economical it was of the utmost importance to our success that we do so practically and not theoretically. I therefore established a system of paying each student a very small sum for his work. They were encouraged to make deposits and each one was provided with a bank book." Captain Pratt's method was far-seeing. His Indian pupils have now $10,000 to their credit as savings, and those who have left after completing their training have taken as much more in cash, trunks, clothing and equipments to their Western homes. This knowledge of every-day economy cannot but be of intense value to the remnant of the race who owned the country before money was the one great factor of exchange.

Mr. J. H. Thiry, who came to this country a few years ago for his health, was acquainted with the School Savings Banks in his native France. Elected School Commissioner in Long Island City in 1885 he introduced the system into the city schools. The system of their administration was formulated with care and is so simple and effective as to elicit general commendation. Mr. Thiry has given personal care and time to the work and has written pamphlets setting forth its advantages and explaining its ease of application.* He collects and prints a yearly statistical account of the founding and condition of the School Banks of the United States. By the table of January, 1890, we had 88 School Savings Banks, 15,124 depositors with $50,878.12 to their credit; by the table of January, 1891, (see table, pp. 20-21) the banks were in use in 209 schools having 24,067 depositors, with $83,594.84 as their earnings and savings in banks. The increase of the past year has been greater. The exact figures as reported February, 1892 are 285 schools having the system in use. Of the 72,562 scholars in the 285 schools 27,430 are depositors. The amount of their deposits to date being $270,428.76, of which $133,913.75 has been withdrawn, leaving a balance of $136,515.01 due the pupil depositors.†

Our Boards of Directors in some localities have taken up the work of introducing School Savings Banks systematically. The writer has been closely identified with this system since 1888, when it came to her knowledge through mention at the annual meeting of the American Economic Association at Philadelphia and through experience in its introduction and observation of its operation she recog-

* "School Savings Banks in the United States," pp. 48, 1890.
"Supplement" to the same, pp. 26, 1892.

† Some schools have escaped Mr. Thiry, the compiler of the table. A few have failed to report, and others have taken up the work during the past two months. Among those of which he has no mention are the Easttown, Kennett Square, Shady Grove and Independent, Pennsylvania and Lawrence, Kansas, and those which have opened since are Portland, North Dakota; Phœnixville, Jenkintown, Coatesville and several other township districts in Chester and Montgomery Counties, Pennsylvania. The figures, while interesting, are therefore inadequate.

nizes its uplifting force. The popular interest manifested in the subject is, perhaps, best exemplified by the number of inquiries received in regard to its methods and manner of establishment. Passing over the time anterior, since November, 1891, the writer has answered two hundred letters, which came from almost every State in the Union, asking for facts relating to the School Savings Banks and how to institute them. These letters were from bankers, teachers and parents, generally expressing approval, in advance, of such practical instruction. Last summer the system was explained to the school principals and School Commissioners of St. John, and encouraging interest is manifested in letters received from New Brunswick, Nova Scotia, Manitoba and British Columbia, where School Savings Banks are likely to have early trial.

In order to establish the system successfully it is necessary to have the co-operation of a bank and the approbation of the school authorities. The distribution of a few facts in regard to the practical economy through printed literature, the newspapers or a little meeting called to present the work seldom fails to win the desired support. The banks in most towns are so anxious to secure the children's deposits that they have gladly assumed the expense of printing the required forms; indeed, in some instances it has been a delicate matter to decide which bank should have the privilege. The managers realize that if the children deposit with them they are likely to be customers in later life, and from a business standpoint they are always ready to encourage habits of thrift.

Bankers and educators are taking up this subject at their State meetings and passing resolutions of approval and recommendation. The Michigan State Bankers' Association in convention at Marquette, July, 1891, after a forcible presentation of the advantages of School Savings Banks, passed resolutions asking that, inasmuch as three-fourths of the school teachers were women and that as the women had in the Woman's Christian Temperance Union, the largest and

TABLE SHOWING THE OPERATIONS OF SCHOOL SAVINGS BANKS IN THE UNITED STATES IN 1891.

No. of Order.	Cities and Schools which have adopted the system.	States.	No. of Sch'ls		Date of Introduction.	No. of Scholars		Amount		
			Houses.	Banks.		On Registr	On Deposit's.	†Collected.	†Withdrawn.	Due Depositors.
1	Long Island City	N. Y.	14	102	March 16 . . . 1885	5,179	2,385	$37,235.94	$22,888.27	$14,347.67
2	Rutland	Vt.	6	28	February 1 . . 1886	1,300	834	4,306.01	1,090.87	3,215.14
3	Islip, Long Island	N. Y.	1	6	September 30 . 1886	265	70	2,032.17	1,019.33	1,012.84
4	Elmira	N. Y.	4	16	October 7 . . . 1886	2,229	1,226	*11,000.00	*5,819.71	5,180.29
5	Lincoln	Neb.	12	80	February 1 . . 1887	5,215	1,500	20,867.37	15,652.86	5,214.51
6	Amsterdam	N. Y.	6	24	April 4 1887	2,583	815	16,099.23	5,366.41	10,732.82
7	Hornellsville	N. Y.	4	35	January 30 . . 1888	2,500	822	10,000.00	5,735.52	4,264.48
8	Y. M. C. Institute New York City	N. Y.	1	1	March 19 . . . 1888	610	175	42,051.64	25,948.16	16,103.48
9	Jamestown	N. Y.	10	46	September 3 . . 1888	2,847	673	5,471.41	2,871.31	2,600.10
10	Buffalo { School 24 / School 17 }	N. Y.	4	25	October 20 . . 1888	1,537	608	4,174.91	2,462.32	1,712.59
			1	11	November 9 . . 1888	562	346	389.86	50.00	339.86
11	Kingsgt'n { School 3 / B'ch of 3 }	N. Y.	1	7	December 5 . . 1888	253	187	866.70	96.22	770.48
			1	2	January 3 . . . 1889	303	25	250.50	60.50	190.00
12	Olean	N. Y.	7	35	January 3 . . . 1889	1,600	835	8,955.88	5,217.62	3,738.26
13	Cazenovia	N. Y.	1	5	January 3 . . . 1889	320	175	1,432.71	115.79	1,316.92
14	Winfield, Long Isl'd	N. Y.	1	4	March 4 1889	165	60	503.65	248.55	255.10
15	San Diego	Cal.	12	49	September 1 . . 1889	2,800	750	3,226.00	1,075.34	2,150.66
16	National City	Cal.	5	2	September 1 . . 1889	310	105	591.00	1,075.34	431.00
17	Brooklyn, School 31	N. Y.	1	26	December 16 . 1889	1,474	170	2,279.88	1,792.01	487.87
18	Pottstown	Pa.	20	48	December 30 . 1889	2,158	967	18,041.29	8,041.00	10,000.29
19	Norristown	Pa.	6	54	January 2 . . . 1890	2,540	1,204	12,317.97	5,912.95	6,405.02
20	Shannonville	Pa.	1	1	January 9 . . . 1890	70	23	109.92	11.46	98.46
21	Cheltenham	Pa.	1	3	January 9 . . . 1890	130	70	590.93	105.99	484.94
22	Brookline	Mass.	12	40	January 20 . . 1890	2,000	818	5,030.34	328.43	4,701.91
23	Chester	Pa.	13	61	February 24 . . 1890	3,329	1,025	15,418.03	7,132.85	8,285.18

24	West Chester . . .	Pa.	3	23	February 24 . .	1890	892	449	3,830.92	746.57	3,084.35
25	Williamsport . . .	Pa.	14	65	April 1	1890	4,578	*2,500	*12,500.00	*3,500.00	9,000.00
26	Conshohocken . . .	Pa.	2	15	April 7	1890	740	384	2,283.41	954.36	1,329.05
27	West Grove	Pa.	2	4	April 7	1890	160	50	299.80	40.00	259.80
28	Wilkesbarre. . . .	Pa.	5	35	May 15	1890	—	—	—	—	—
29	Omaha	Neb.	37	390	May 20	1890	‡14,000	‡4,547	‡12,620.94	‡6,172.39	‡6,448.60
30	Juniata	Neb.	2	3	September 22 .	1890	185	85	195.00	85.00	110.00
31	Philmont	N. Y.	1	4	October 7 . . .	1890	280	137	677.86	25.00	652.86
32	Schuyler	Neb.	4	14	October 12 . .	1890	600	175	3,097.33	1,632.79	1,464.54
33	Greenville.	Ohio	2	20	October 27 . .	1890	900	286	1,679.47	849.57	829.90
34	West Whiteland . .	Pa.	4	4	November 10 .	1890	156	44	134.97	12.25	122.72
35	South Omaha . . .	Neb.	—	—	November 14 .	1890	‡—	—	—	—	—
36	Phillipsburg	Pa.	1	13	January 4 . . .	1891	660	385	1,625.00	225.00	1,400.00
37	Doylestown	Pa.	1	7	January 12 . .	1891	300	180	1,217.53	111.03	1,106.50
38	Campello	Mass.	1	6	January 26 . .	1891	530	200	935.24	218.57	716.67
39	Rockland	Me.	1	3	February 11 . .	1891	170	92	365.85	.75	365.10
40	North Wales . . .	Pa.	1	5	March 12 . . .	1891	200	120	564.65	60.00	504.65
41	Warren	Pa.	15	15	April 22	1891	770	300	3,000.00	40.00	2,960.00
42	Waveland	Ind.	1	6	September 14 .	1891	230	155	149.48	16.60	132.88
43	Lock Haven. . . .	Pa.	4	24	September 25 .	1891	1,250	684	1,130.12	19.26	1,110.86
44	Y.M.C.A., West Troy	N. Y.	1	1	September 25 .	1891	38	20	7.03	.99	6.04
45	Corry	Pa.	4	20	October 1 . . .	1891	917	401	379.76	—	379.76
46	Guide Rock	Neb.	1	3	October 19 . .	1891	117	34	31.70	.15	31.55
47	Mendocino	Cal.	1	4	November 2 . .	1891	179	66	166.85	—	166.85
48	Brookville.	Pa.	2	11	December 4 . .	1891	539	183	221.61	—	221.61
49	Mayville	N. D.	1	2	January 4 . . .	1892	120	37	68.80	—	68.80
50	Boys' Parlor Camden W.C.T.U.	N. J.	1	1	February 4 . .	1892	90	48	2.05	—	2.05
51	Phœnixville. . . .	Pa.	23	26	February 29 . .	1892	1,502	—	—	—	—
52	Parkesburg	Pa.	5	5	February 29 . .	1892	180	—	—	—	—
			285	1,440			72,562	27,430	$270,428.76	$133,913.75	$136,515.01

* Estimated. † From date of introduction. ‡ Includes South Omaha collections. ‡ Figures included with No. 29.

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most systematic organization in the world for carrying on reform work, they be requested to forward this great movement. Several other bodies of men and women in convention assembled have recently passed resolutions and motions of the same tenor.

The subject was presented at the National Convention of the Woman's Christian Temperance Union, Atlanta, Ga., Nov., 1890. At the Woman's Council in Washington, February, 1891, it was taken up as a department of work by the World's National Woman's Christian Temperance Union* These are organizations whose membership aggregates 500,000, and we are looking forward to the appointment of efficient superintendents to advance the movement in every county and in every State. A few circulars and bits of literature have been published on the subject,† and it is certain from the ready response in the United States and Canada, that it is only a question of a little time until the east, the west, the north, the south and the people beyond our boundaries will find in the general establishment of School Savings Banks the solution of several vexed problems. The existence of half a million paupers at an annual expense of $50,000,000 to our government would be decreased by one-half through the proper inculcation of thrift and education; crime would decrease proportionately. Extravagant, thoughtless habits, which beget inequality, drunkenness and vice, could not thrive if the population was carefully trained to self-knowledge, self-dependence and economy. It is because of the inactivity, the neutral position of woman, in a great measure, that the present state of disproportion

*School Savings Banks was adopted as a department by the National W. C. T. U. at Atlanta, Ga., Nov., 1890. Mrs. S. L. Oberholtzer was appointed superintendent.

School Savings Banks was taken up as a department at the First Convention of the World's W. C. T. U., held in Boston, Mass., November, 1891, with Mrs. S. L. Oberholtzer as superintendent.

† How to Institute School Savings Banks;
A Plea for Economic Teaching;
School Savings Banks;
School Savings Banks' Fact Cards (numbers 1, 2, 3, 4 and 5.)
} By MRS. S. L. OBERHOLTZER.

exists and I believe the Banking Associations and other organizations right in asking us to unfold our hands.

The school authorities are usually in glad accord with the idea of teaching economy in the schools; the teachers themselves, in most instances noted, are enthusiastic in the work. The children enter with zest into the accumulation of their earnings and savings, while the development of their individuality and self-dependence is a matter of general comment. When the system is about to be instituted the teacher explains to the scholars the end and aim of School Savings Banks, that it is to teach them the practical value of money, how it grows by attention, the benefit of industry, the delight of giving and spending wisely, with other salutary lessons in thrift as opportunity occurs. The roll is called every Monday morning for the collection of the children's savings. This occupies a very short time, even the morning the work is instituted. Each child who is a depositor has the little copyrighted Savings Bank card,* (see next page) on the face of which is his name, that of the teacher and the school. On the back are the regulations. The card is folded and on the inside is the date for each Monday in the school year, with space opposite for amount of deposit.

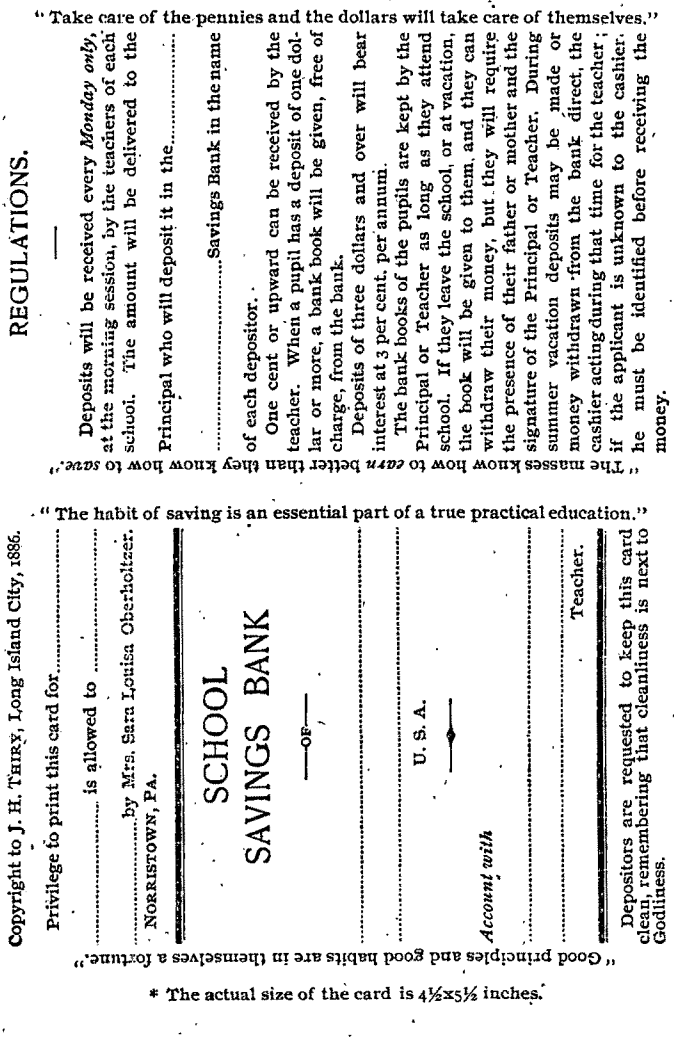
When the names are called by the teacher each pupil who desires to deposit steps up with his card and money, handing them quickly to the teacher, saying "yes, five cents," or whatever the sum may be. She with a figure credits the amount on the child's card and on her roll book; passing the card back to the child, who keeps it always in hand as a memorandum and receipt. The first collection in the school is deposited in bank as a general school fund. When a scholar has deposited fifty cents or one dollar, as the authorities may agree, he is given a bank book and the money is placed to his personal credit by the bank; when he has three dollars an interest of three per cent. is allowed him

* Although copyrighted permission to use the card is freely given to those wishing to introduce the system.

by the bank, and he has privileges of an adult depositor, acting through school facilities.

The teacher's "roll book" is arranged with spaces to record most conveniently weekly deposits. The other forms

*OUTSIDE OF SCHOOL SAVINGS BANKS' CARD.**



* The actual size of the card is 4½x5½ inches.

used in connection with the system are simple and calculated to minimize the work. The money collected by each teacher is placed in an "envelope," which is so printed as to require at her hand but the number of school or class and amount of contents.

There is a "deposit slip" used in forwarding all collections by teacher to principal.

The envelopes in which teachers send the collection to the principal are sealed, the total amount recorded on the deposit slip previously mentioned, which accompanies the envelope. The envelopes are sent together, thus labeled, to the bank, where the bank authorities open, count, verify and credit at leisure.

With the last collection of each month the "Teachers' Monthly list of Depositors" is sent by each teacher to the principal of the school, and by him to the bank with the children's bank books, that individual credits may be properly made. These lists are returned by the bank to the principal with the scholars' bank books during the week. The bank books are given to the children to take to their homes the last Friday of the month, to be returned with the following Monday morning deposits:

Finally a form is necessary by which the principal keeps record of the weekly deposits of the teachers.

The check with which pupils withdraw their money requires the signature of parent or guardian and principal.

The principal uses the General School Fund bank book, received when the first school deposit was made. It is always sent with the week's deposits and returned to him by messenger with full amount of credit. This frees him from responsibility, and the arrangement is such that any error can be at once traced to its source.

The principal or teacher has no power to withdraw money personally. The bank books taken into the homes once a month arouse family interest, and parents have often been interested to curtail needless expenses by the practical lesson in the accumulation of small savings thus taken to them. I

have several examples of this in mind. The children enjoy this instruction which fits them for everyday life and must develop to more self-reliant judicious man and womanhood.

We have given this system a trial for two years in Montgomery County, Pennsylvania, now having it in use in sixty of our schools.* We have heard no disparaging word of it, save from the cigarette and candy venders, who complain that it injures their trade. The teachers express much gratification in the credits of the scholars and have themselves acquired some practical knowledge of banking.

One principal tells me of a boy who was obliged to stop school to learn a trade at fourteen preparatory to family support, but who is so interested in his school fund that he walks to her, one and a half miles, every Saturday evening for a year past with twenty-five cents to add to his account. This boy will doubtless make a provident successful man, and is only one of the many who are being aided through this easy instrumentality to know the value of systematic thrift.

The day after the disastrous flood in Johnstown in 1889, a little fellow went to his teacher in one of the Long Island City schools and said, "How can I send some of my school savings to the poor children who have lost their school houses and everything at Johnstown?" Other pupils expressed the same eager desire to tender help to the needy, when the

* Pottstown, a borough of fifteen thousand inhabitants, has the heaviest deposits for her population in the United States. The Schools, embracing those of Pottsgrove township, are twenty. Attendance 2158; depositors 967, who have collected since the institution of the system $18,041.29, and after withdrawals of $8000 have over $10,000 to their credit. The system was taken up in this borough simultaneously with Norristown, January, 1890. The children's school deposits for the first month in Pottstown were $1709.17, while in Norristown, with a population of nineteen thousand, 2540 pupils on the register, the deposits for the same period were $1210.61. These are manufacturing boroughs on the Schuylkill River, and the children have the advantage of good times and town sympathy.

West Chester, Pa., an inland borough of 9000 inhabitants, without great laboring interests, from a register of 892 scholars, has 449 of them as depositors, a greater number in proportion to the school attendance than the average.

Of the schools that took up the work May 9th, 1892, Ashbourne reports first collection $41.82, Jenkintown first week $12.73, second week $16.28.

subject was mentioned, and among the first contributions sent to the sufferers at Johnstown was $452.31 from the school children of Long Island City. To make up this gift each pupil who wished gave from ten to twenty-five cents from his bank account. It is the possession of individual property only that renders the delight of giving possible.

So far as my study of and experience with School Savings Banks extends, and I have personal acquaintance with most in the States, they do not favor or engender parsimony, but rather beget liberality. I mention this because the fear they might have some tendency in this direction is the only objection I have ever heard advanced to their general institution. A personal visit to any school wherein this practical economy is taught will convince the inquirer of its utility.

The child becomes an active, rather than a passive agent, he is a recognized part of the nation; an individual factor, gaining with his book learning an acquaintance with the principles of thrift, a knowledge wherewith he may solve the problem of daily existence. The average boy and girl who have thus deposited their small savings go out into broader life from the public school, having one or two hundred dollars, perhaps more, to his or her individual credit.

The children of the rich and the children of the very poor perhaps need this economic instruction most, though there are many women and some men in the middle walks of life to-day who cannot without aid make out a bank check and endorse it or give the simplest receipt in form. This instruction gives the children familiarity with these forms, through practical use, with their earliest learning. The children of well-to-do people, who have money given them as regular allowance, have surprised their parents by the amount saved in this manner. In some cases they have kindly given in an unostentatious fashion pennies to schoolmates, enabling them to start accounts.

An incentive to increased industry is afforded children, with this avenue open. The prime object, as has been ex-

plained, is not the accumulation of money, but the inculcation of the principles of thrift, honesty and self-responsibility; the upbuilding, through the schools, of prosperity and stability for home and State; the improvement of the organic, social and economical conditions under which we live; the moral and financial welfare of the nation. That this object may be properly accomplished it is necessary that the true purpose and advantage of early saving be impressed upon the pupils, that with the growth of the money the more receptive minds, at least, may be taught its value as a comfort factor, its waste as a frequent harbinger of woe, and its possession as a power for good.

The knowledge that it is not what we get, but what we wisely appropriate, husband and distribute, that counts comes to many of this generation too late in life. Our dependents, spendthrifts and leeches are numerous. Paupers, drunkards, mental and physical wrecks and criminals would decrease materially if their power to increase in numbers was thus discouraged.

Our charitable institutions are becoming so numerous that they are scarcely the flowers of a true benevolence. If we could stimulate the poor to provident habits, and prove to the middle classes the foolishness of spending all as they get it, and to the rich that honest, methodical care of God-given blessings result in greatest enjoyment, we should be exercising a broader and more healthful benevolence. A certain amount of mental discipline and self-denial is necessary to the development of self-dependence.

Victor Hugo said, "All the vagabondage in the world begins in neglected children." Believing this to be, in a great measure, true, and that on account of the frequent incapacity of parents to care for the moral and mental training of their children, the government and the people should tender them the best helps, I ask fuller individual and national consideration of this subject. Our co-operative facilities are far-reaching. School Savings Banks added to the general school curriculum, with fifteen minutes given to their

administration per week would, judging from the advance where they are already in force in this country, and the fuller trial they have had in other lands, yield far reaching results.

When people are able to help themselves, to be individually self-supporting and self-responsible, the equalization of power and means will be attained, resulting necessarily in an evenly balanced and well developed government.

Records of late school meetings in Belgium and Denmark report the Trustees of Public Instruction and School Inspectors as speaking ably to the pupils on improving and keeping in mind through life the lessons of thrift allowed them through the School Banks.

The deposits are all voluntary on the part of the pupils. From one-third to one-half of the scholars in the schools where the system has been introduced become depositors, some making additions weekly, others less frequently. The work is entirely philanthropic, bringing reward to the children, the neighborhoods, and, through them, to the Nation—our Nation; great in its strength; great in its need of purifying and enlarging influence to insure perpetuity as God's Nation.

SARA LOUISA OBERHOLTZER.

Norristown, Pa.

PATTEN'S DYNAMIC ECONOMICS.*

This is the beginning of a great work. The pamphlet contains one hundred and fifty-three pages; but it suggests several hundred to the reader, and imposes on the writer the necessity of furnishing a still greater number. It is made up of beginnings of studies that call for completion. The field of Dynamic Economics is unlimited, and each pioneer work that occupies a part of it has the effect of making the whole field seem larger.

The economy of progress is unlike that of rest. Advancing societies are under the control of natural laws that have no field of action in stationary societies. Civilization means a perpetual transition from one typical condition to another. Each condition contains in itself forces that tend to create a different condition. A modern industrial state is the result of a long evolution. The forces that have created it have operated from primitive times; but the state as it stands is not a consummate result. It is not the full fruition of anything. The industry of to-day is not perfected in any particular. There is that about it that calls for change; and there is in the society itself a more and more active and irresistible impulse to continue the evolution, and to inaugurate changes, if possible, every day. In a sense the consummate result of civilization is this instability; the best thing about it is the increasing difficulty of rest, the increasing certainty of continuous progress. We struggle toward conditions in which further struggles are inevitable.

There is an economy of rest and an economy of change or transition; and the two have not been duly separated in scientific studies. They need to be presented one at a time and sharply contrasted; whereas they have been presented

* THE THEORY OF DYNAMIC ECONOMICS, by SIMON N. PATTEN, Ph. D., Professor of Political Economy, Wharton School of Finance and Economy, University of Pennsylvania. Pp. 153. Philadelphia, 1892.

together and greatly confused. Professor Patten has isolated the dynamic economy by contrasting a progressive society with an unprogressive one. What the one society has and the other has not is the dynamic element.

It is to be noted by the reader that while the stationary society is not under the influence of dynamic laws, the advancing society is under the influence of static ones. Two sets of forces dominate American industry, and the problem to be solved consists in separately tracing the influence of each. The green water on the crest of the Horse-shoe Fall at Niagara is governed by static laws as well as by dynamic ones. If it were not for those forces that are studied under the head of Hydrostatics the falling water would be unable to excavate the rock at the bottom of the abyss into which it plunges. Motion adds one force but does not destroy the other. The most progressive society is, in fact, the one in which static law is most efficient.

In Professor Patten's studies the term static is applied to societies and to persons, as well as to a class of forces. A nation is static when it is not changing, and a man is so when his list of wants is not diversified from time to time. The nation and the man are dynamic when they are progressing. The contrast that the author draws between the two conditions must, in the end, be made to reveal the difference between static law and dynamic law in one condition, that, namely, of a progressive society. In the industrial states in which we are chiefly interested, both sets of forces are in particularly vigorous action.

The clear benefits that accrue to men through industry consist of personal gains secured by income, and not counteracted, in their effect on the man, by the sacrifices entailed in earning the income. They are, in a sense, surpluses. Give to a man enough to make him, on the whole, as well off as he was before he began the work of a day, and no more, and his day's work and its earnings afford no clear benefit. Whatever of gain he receives above what is necessary in order to offset the personal cost of the work is a

surplus. This is a benefit that is not in any way neutralized.

The cost that figures in the problem is subjective. It is the unfavorable effect of industry on men themselves. How much of happiness does a laborer lose by reason of the fact of working ten hours a day for a year? If this question be answered we shall have a statement of the cost of whatever the man produces within that period.

What, then, are the surpluses, or gains unbalanced by costs, that come to men engaged in industry? One of them is the excess of product that is secured by working land of superior quality, as compared with what is gotten from the poorest land in use. Rent is a surplus. The superiority of a piece of good land makes the part of the food supply that comes from it come with less than the standard amount of personal sacrifice. Classical thought is here dominant. Yet the author passes through and beyond the region within which, in their study of rent, the classical writers halted. There is a surplus accruing from the use of other instruments of production than land. Capital affords its net gains, and interest contains a surplus. Dr. Patten has performed the difficult feat of getting beyond the point reached by the older English economists while following their chosen route. He has met and surmounted the major difficulties involved in a profound study of Ricardo. The unnatural gulf that was once made to separate land from capital is closed, in this study, along a considerable part of its length.

Intelligence affords a surplus; and this is the chief one that appears in distinctively dynamic economy. Here is the key to the major problems of production. Thought may make larger and larger our unneutralized gains.

In the main the present study concerns itself with forces that centre in consumption. In social economy it is the consumer who is the dictator. This is true not merely for the old reason that he orders what he will in the market, and the producer must do his bidding. The consumer is, indeed, like the guest at the hotel whose caprices are—in theory at

least—respected by the attendants. What the wishes of the guest are is of primary consequence in determining how much of good he will get from the service, provided that the service itself is perfect. With one list of wants to be satisfied he may get little benefit, while with another he may get much. A favorable change on the character of a man's consumption reacts directly on his well being, and that too without necessarily calling for an enlarged production. The effect of changes in consumption penetrates directly to the recesses of the man's being. It touches springs of personal welfare from which the outward machinery of production must stand aloof. If the mill makes any one really better off by the use of its products it is because the wants to which the products correspond are of the right kind. If we change our social list of wants for the better we take a short cut to happiness. With no more energy expended in production we get a better personal result.

This is equivalent to saying that with a fixed amount of productive force to be used a man does not necessarily get a fixed benefit, since his sensitiveness to the effect of the force can be made greater or less. A proper *varying* of consumption thus multiplies the well-being that is the fruit of industry. In production man works on nature; and the better he works the more there is of modified nature, or wealth, as the result. In consumption nature works on man; and the better the process the more of well being directly results. Dynamic changes in consumption mean this improved working of nature, and mean more and better manhood.

There is a special reason for making now a careful study of this central principle, since through all its applications there runs a conception of cost and of utility that is likely to differ from the reader's conception. One is in particular danger of contradicting Dr. Patten without disagreeing with him, by reason of a differing nomenclature. If a full allowance be made for the author's use of terms, I venture to affirm that the chief conclusions of the work need supplementing, indeed, but not controverting. In secondary

matters there is room for controversy. If we use the terms *cost* and *utility* in one way, the surplus gains that are a chief subject of study appear to exist, though there are new elements yet to be introduced in taking the measure of them. If we use these terms in another sense, one of the varieties of surplus will vanish altogether.

That this point is of importance to the student will appear in connection with the parts of the work that we do not here examine. Surpluses form, as is shown, a fair subject of taxation. In cases where the individual cannot keep them in any case, and where the state can keep them, any tax that may be imposed on this element of gain is, in effect, burdenless to the individual. Evidently it is of cardinal importance to know whether an overplus of gain that is to be drawn on in this way is in reality a clear surplus or not.

Production, as the author strikingly says, is a neglected portion of political economy. What is evidently true, in the department of production as elsewhere, is that the dynamics of the subject have been neglected. The entire process of isolating dynamic forces and effects is a new scientific operation; and the impulse given to this mode of study is an invaluable service of Professor Patten. What needs to be known is the character of those influences that make for better production; and, to that end, it needs at the outset to be known what is at bottom good for the individual consumer. We must make sure what is the exact nature of the ultimate net benefits that may come to a man by reason of changes in production. We must test the surpluses, as before.

In following, then, Dr. Patten's principal analysis, we enter on no less an undertaking than that of attaining a scientific basis for an optimistic faith that is in all of us. The belief that the world is improved is to be demonstrated by scientific formulas and illustrated by diagrams. By closer conformity to the demands of physical law, psychological law and social law, richer and richer returns are to be forthcoming from the collective workshop of the world.

The gains appear on illustrative diagrams that should be as closely tested as those of the mathematician. Certain areas represent gains accruing from industry; other areas represent sacrifices; and the excess of the former as compared with the latter represents the net benefit of the process. The change in the lines that makes the area of excess larger represents the dynamic effect that all humanity is seeking. The identification of the causes that thus change the lines and increase the areas of excess is nothing less than an economic solution of the problem of human life. Momentous indeed are the results that hinge, as it were, on the correctness of chalk lines. We must spare no pains in testing them, and at the outset we must make as sure as is possible of their meaning. We must get the author's point of view that we may do full justice to his theory. The result richly repays the effort.

The starting point in the study is man. The facts of his being and of his personal experience afford the premises. Unpleasant experiences constitute true cost, and pleasant ones are gain. There is a reference in the work to old and discarded views of cost. If money paid by an employer constitutes the cost of what he manufactures, it is because the money is an embodiment of value, and the creating of that value has imposed somewhere a personal burden. Wheat consumed by workers can, by a distorted view, be forced into the position of an element of cost, only by virtue of the personal sacrifice that the securing of the wheat has imposed on some one. In a normal view the working and the "waiting," or abstaining that bring a thing into existence constitute the economic cost of it. Man, as the bearer of the burden of production, is back of a commodity as its cause, while man, the consumer, the recipient of good, comes after a commodity as showing in his person its effects. Economics studies men in these two relations; and the process that the science analyzes is his effort to get more as a consumer than, in his capacity as a producer, he sacrifices.

Some things have "absolute utility;" which means that

they are of such a nature that we must have them, whether the using of them, gives pleasure or not. Food that nourishes but is so unpalatable that the disagreeable taste of it destroys, in the mind of the man who is eating it, all consciousness of pleasure derived from the operation would afford an illustration of an absolute utility unaccompanied by any other. A drug capable of saving life, but not pleasant to the taste, would fall in the same category; while if the same drug were nauseous but quite necessary for the patient, it would have, besides the absolute utility, a negative utility due to the discomfort that comes from taking it. It is immediate pleasure giving power that constitutes the second variety of utility, and it is this with which Professor Patten's analysis is mainly concerned. The utility of a coat is measured by the pleasure a man gets from wearing it. If there is a patch on it this pleasure may be more than neutralized; it may be turned into actual pain. Yet the man may continue to wear the garment because of its absolute utility. It is a thing that he must have, though it never ceases to annoy him.

It is at this early point in the author's study that the difference between his thought and that of others needs to be noticed. In this special conception of utility there is enough to set Dr. Patten seemingly at variance with others on the subjects that he is about to treat. A thing that is useful but painful in the using has, in this study, two kinds of utility, of which one is absolute and the other is negative. In the commoner view such a thing has its degree of utility, like anything else; but in estimating the degree the owner takes into account all effects, whether pleasant or unpleasant, that come from the using of it. The unpalatable food, the nauseous drug, the dentist's forceps and the surgeon's knife have a degree of real usefulness that is capable of being approximately estimated. How much better off, on the whole, is a man who utilizes one of these things than he would be if he let it alone? If he can answer this question he has assigned the article to its proper place in the scale in

which commodities are mentally tabulated. The pain that comes from the use of the commodity, as well as the prolonged well-being that follows, are allowed to have their due importance in the estimate.

The surplus gains come from pleasure-giving articles. Every dinner includes bread or its equivalent; not every one, in the summer, includes ices; and in the pleasure derived from articles like these lies the difference between one dinner and another. Unnecessary but desirable things constitute the surplus of the consumer.

The standard from which the surplus is measured, the personal cost of getting these things, needs to be even more carefully scrutinized. It is here that there lies a special danger of misunderstanding and unnecessary controversy. A part of this surplus vanishes if we estimate cost in one way; it remains if we take the author's mode of estimating it.

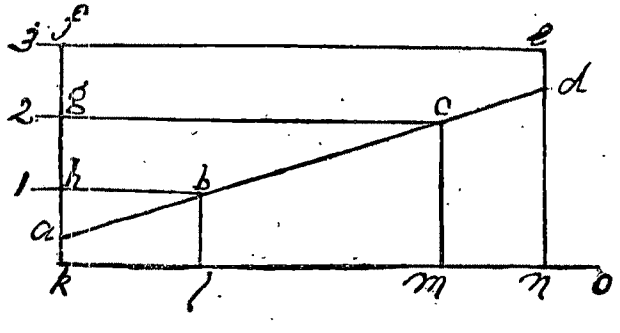
In Dr. Patten's view the cost in the case is the sacrifice directly involved in the securing of the pleasure-giving articles. The ices in the illustration give a pleasure that is not fully offset by the labor that is expended in paying for them. If a workman can earn a dime by a half-hour of extra labor, and if the ice that completes his dinner gives a pleasure that more than offsets the pain involved in this labor itself, then there is an overplus of benefit due to earning the ice and eating it. The cost in the case is the extra burden entailed by the final half-hour of labor. If we accept this idea of cost, we accept with it many important deductions. If we adopt another conception of cost we reach different conclusions, and, in particular, we find that a definite part of the surplus gains that are traced through the industrial process altogether vanishes.

There are indirect effects of labor to be taken into account, and they neutralize the overplus of benefit derived from the ices. These articles stand for the "final increment" of consumption, and this increment is worth what, directly or indirectly, it costs. The dish that the man, in the illustration,

hesitates in ordering may give pleasure enough to more than offset the fatigue of working to pay for it; and yet it may yield no surplus above its total cost.

The earlier hours of a working day are but slightly onerous; and the burden of work increases as the period of labor is prolonged. At some point, say at the end of the tenth hour, the man if he is free and is working by the piece, will voluntarily stop. Why does he quit work at exactly this point? Because, in his view, there is no real net benefit to be had from working longer. The work in some way deducts from his well-being as much as the articles bought with the wages of the work add to it. The man grinds knives or pegs shoes till the piece price of another bit of work, transformed into a newspaper, a picture, a ticket to the theatre, or a glass of soda water or of whiskey, according to the man's habitual mode of valuation, offsets the entire sacrifice involved in doing the bit of work. Labor naturally stops where, by the common mode of thought, true surplus gain vanishes. Yet Dr. Patten finds a surplus accruing from the last and hardest increment of labor; and this surplus is a central element in much of the following reasoning. The existence if it depends on the use of a special conception of cost, is the standard above which the surplus is measured.

We may best reveal the character of this excess of gain by reproducing the diagram and quoting the text that describes it.



After stating that a man naturally stops working when the pain of the last period of labor equals the utility of the last increment, Dr. Patten finds a reason why, in a highly efficient state of industry, this rule of equality of gain and sacrifice does not actually hold true, in so far as the final increments of the two are concerned. The last increment of gain more than offsets the mere pain of the last period of labor.

"We may imagine the pain of each increment of production to be represented in the above figure by the distance from the lines *ad* and *kn*, while the marginal increment of consumption is measured on the line *kf*, and the length of the working day on the line *ko*. When the marginal increment of consumption represents one unit, and is measured by *kh*, the length of the working day will be *kl*, and the marginal increment of production will have its pain measured by *bl*. When, however, the marginal increment of consumption is increased to two units, *kg*, because of an increase in the variety of consumption, the length of the working day will be increased to *km*, and the pain resulting from the production of the last increment will be *mc*. Let the changes in consumption continue until its marginal increment is three units, *kf*, and the time of the working day would be extended to *ko*, while the pain of the last increment of production would equal *kf* if no new motives enter to influence the producer.

"When, however, the productive power of society has increased beyond a certain point, the efficiency of the workman becomes so great that *the time needed to consume what he has produced cuts into the time needed for production*, he ceases to work before the pain of the last increment of production equals the utility of the last increment of consumption. There is for the efficient workman a surplus at the margin of production, * * *"

The italics are mine, and the passage thus emphasized marks the point in the argument at which the special conception of cost must be introduced. With that view of

cost, the following argument will not be declared incorrect, but it will have a significance that the reader must think closely in order to fully understand. If the other view of cost were used, there would be an element of incorrectness running through the entire remainder of the theory.

The man whose action the diagram describes stops working at the point *n*, and there the pain of work is *nd* and the resulting gain is *ne*. The line *de* represents the excess of pleasure not offset by pain, or the surplus gained by the last period of work. This line *de* has no existence if cost be estimated in the way that makes it include the whole of the sacrifice entailed by labor.

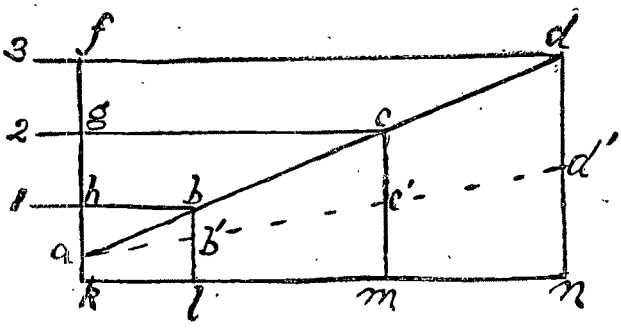
It may well be that the last hour of labor in a day secures to the worker something that, in itself alone, is worth to him more than it costs in the way of mere fatigue; but if the gaining of it entails an imperfect utilization of other things already in possession then the acquisition of it may not be profitable. It will afford no surplus. Let us say that A, B, C and D represent the articles that the man buys with his daily increase, and that, in order to get them all he must work ten hours. It is conceivable that D, the last thing purchased, may, in itself give more in the way of pleasure than the tenth hour inflicts in the way of pain; and yet it may be unprofitable to work through the tenth hour and secure the article. With only A, B and C in his possession at the end of the ninth hour of work, the man may be as well off as he would be with A, B, C and D at the end of the tenth. The extra hour of leisure adds to the subjective value of A, B and C. For the man himself this hour available for more fully utilizing these things actually puts utility into them. The loss of the hour takes utility out of them. The gain secured by the possession of D is not the entire service that this article in itself can render; it is this service minus a sum that represents the diminished service now rendered by A, B and C. There is a surplus secured by working for the article D; but that surplus is annihilated by the diminished service that the other articles

now render. This diminution is a cost, and this it is that prevents the work from being continued.

This fact, stated in another way, reveals a principle to which increasing interest and importance attaches as the industrial process perfects itself. The sacrifice involved in labor itself is coming to be largely *abstinence*. Confinement rather than fatigue is the cause of it; and this confinement burdens the man by that withdrawing of utility from things already in his possession to which attention has just been called. To the man who is confined for most of his waking time nothing is really worth what it should be, and some things are worth very little. He cannot utilize them. Though he may have them in his house he is kept from enjoying them. The man who works twelve hours a day is the typical abstainer of our modern economy. The saddest feature of his abstinence is that it is practiced on things that he actually possesses. He abstains from the full use of his house, his garden and his furnishings and decorations. He foregoes much of the enjoyment of his books and papers, and even of the comelier part of his wardrobe. He has little time for wearing good clothes, for sitting on porches in summer, or before fire-places in winter. He lacks leisure for reading, etc.

What is worse, this lack of time takes the essential utility out of the free gifts of nature. It puts a blight on air and sunlight. It spoils, for this particular man, the trees, the streams, the hills, etc. "We want to see the sunshine," the worker is made to say, in a somewhat familiar rhyme that expresses the motive of the eight-hour movement. It is the increase of utility that, for the men engaged in this struggle, two extra hours of leisure would infuse into their entire environment that is the real object to be secured. This man wants to make the sun worth something.

We can illustrate this by a modification of the author's diagram.



The ascending line *a d'* now represents that which, in the unmodified figure was represented by the line *a d*, namely, the increasing onerousness of the mere physical or mental effort of prolonged labor. The increasing length of the lines *l b'*, *m c'* and *n d'*, means that, as the man becomes more and more weary, each hour of work imposes a more and more painful effort Muscular tissue, nerve tissue and brain tissue are destroyed, by the continued labor, in amounts that impose more suffering and demand more rest, as the hours of work, measured on the line *kn* are prolonged.

This destruction of tissue, however, is only one part of the sacrifice imposed by the work. Every hour of routine labor restricts the man's pleasurable activities. He sees somewhat less of the sunshine by reason of entering the shop for a stay of so much as three hours; and though this effect is not a striking one where the working day is thus curtailed, it becomes more and more prominent as the duration of it increases. *b'b*, *c'c* and *d'd* in the modified diagram stand for the sacrifice of confinement; and *lb*, *mc* and *nd* represent the total sacrifices involved in the final increments of labor in three working days of different lengths. The sacrifice of confinement resolves itself, in the analysis, into special and burdensome abstinence entailed by labor. The worker gives, in current phrase, "time and effort" to production; and in giving his time he incapacitates himself for the full utilization of the good things about him. The wealth

that he has in house, garden, furnishings, books, etc., as well as the free goods that nature lavishes on the human family, are worth less, in his subjective valuations, than they otherwise would be. Everything loses utility, and the lines *b'b*, *c'c* and *d'd* measure the depreciation of value that the man's whole environment suffers when he gives to the confined work of the shop the hours that he might use, as it were, in absorbing happiness. The "lavish summer" is at hand; but the man cannot get much good out of it.

There is a similar effect coming from the multiplying of articles of consumption, that would need to be noticed in a full analysis. Loss of time through excess of work may curtail a man's enjoyment of the commodities A, B, C and D; but the addition of E to the list may have, in some degree, the same effect. The child with many toys takes little pleasure in the earlier ones, while the child with a single toy gets all that is to be gotten out of it. The man of to-day with many books does not get as full use of the two or three volumes that constitute the nucleus of his library as one of his ancestors would have done, in the simple colonial days when these few volumes were all that there were to be had. Even consumption takes time and strength, and it cannot be made to include too many articles without some sacrifice of the benefit that it is possible to get from each. The enjoyment derived from the final one is, as Professor Patten has well shown, increased by the fact that it is different in kind from the earlier ones. Variety of goods works favorably for the consumer; but mere number works partly unfavorably, since the addition of each new one to the list withdraws time and strength from the consuming of earlier ones. If a man has a thousand books it is decidedly better that they should not be duplicates; but even if there is not a duplicate in the list, the number itself takes from the value of each separate one. This effect is made familiar by modern studies of value; but the last word concerning it has yet to be said. It is a great merit of Dr. Patten's study that, side by side with the effects known to fol-

low from increased quantity of goods consumed, he has placed the redeeming fact that wholly opposite effects are to be expected from increased variety.

We may suppose that in our illustrative diagram the lines *kh*, *kg* and *kf* are drawn with a full knowledge of all these effects. They represent the total good that comes to a consumer with increasing wages at his disposal, from the final increments of this consumption. In that case this total good coming from the last earnings of a normal working day will just equal the total sacrifice of the last increment of labor. The man will stop working at the point at which, on considering every element that enters into the problem, he is gaining by consumption exactly as much as he is losing by production. The last minute of work in the free laborer's normal day is a no-surplus minute.

The essay that we are discussing will, as all readers must earnestly hope, expand into a volume of ample dimensions. A catalogue of the points that are capable of such expansion would unduly prolong this notice. It is, for the reader, an exercise of rare value to expand them in his own mind as he proceeds. Even the question whether, when fully expanded, the deductions are all to be approved or not is a secondary one. Science is advanced, ultimate truth is brought nearer, by reason of all acute and suggestive studies that enter this new and fruitful field. When fully stated and amply tested the author's studies will be found to have attained very much of this truth. Not to be weighed, for importance, with any ordinary scales are the conclusions of this theory, since they tell us how and to what extent the working millions are to gain by progress. Let the studies be quickly extended that will afford such a prognosis. Let economic science do its work and gauge the weal of the future by its diagrams.

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GEOMETRICAL THEORY
OF THE
DETERMINATION OF PRICES.*

Translator's Note.

The following article of Professor Walras is the first by that famous writer to appear in English. It is not too much to say that Professor Walras, together with Jevons and Menger, marked an epoch in political economy. These three writers independently and almost simultaneously developed and applied the idea of *rareté* or marginal utility, the corner-stone of the so-called "Austrian School" and of mathematical economics. Those who are not already familiar with the services which the *Économie Politique pure* has rendered will be interested to read the praise of Jevons (Theory of Pol. Econ. 3d Ed. Preface to 2d Ed. p. xxxviii.).

The problem which Professor Walras has here set himself is a difficult one, viz. : to present a geometric picture of the causation of the prices of *all* commodities, recognizing the fact that these prices are mutually dependent. I have never seen it attempted elsewhere. In his *Économie Politique pure* he treated this problem analytically and was, I feel confident, the first to do so. Auspitz and Lieben also in their much praised "*Untersuchungen über die Theorie des Preises*" use their ingenious diagrams only for a single commodity and content themselves with an analytical treatment as soon as they pass to several commodities. The present writer is about to publish in the transactions of the Connecticut Academy of Arts and Sciences a *Mathematical Theory of Value and Prices*, in which is a solution of this same problem, by the aid of an instrument quite different from either the analytic or graphical method. An actual mechanism is constructed so as to exhibit the complex market adjustment as an automatic equilibrium of a system of liquids.

* Of the three parts of which this paper is composed, the first consists of a memoir read before the Society of Civil Engineers of Paris, October 17, 1890, printed in the *Bulletin* of that Society, January, 1891. In it the author has, however, made certain modifications, of which one is rather important, because it simplifies the fundamental demonstration of the theorem of maximum satisfaction. The last two consist, with certain modifications necessitated by what preceded, of a paper prepared for the *Recueil inaugural* of the University of Lausanne. The editors of the *Recueil* kindly authorized the transmission of the MS. of this article, previous to its publication in Lausanne, to the *American Academy of Political and Social Science*, with a view to insertion in its ANNALS.

A few words of comment on the present article may be appropriate:

(1) Although Professor Walras clearly recognizes that the demand and supply of each commodity is a function of the prices of all commodities, he omits to state that the *rareté* to a given individual of a given amount of one commodity is a function of the quantities not only of that commodity, but of all others. Hence the curves he employs are not independent, but the shape of the A curve in Fig. 1 will change according to what point is selected on the B curve. The A curve could not be said to be given until the demand for B, C, D, etc., was each given. The utility of bread, it is true, decreases with the amount of bread, but the *law* of that decrease depends on the amount of butter; in general the utility of the same quantity of bread increases as the amount of butter increases.

(2) With a slight change of phraseology the methods and curves used by Professor Walras would apply to the *rate* of consumption in time. Thus the quantities Oq_a, Oq_b, Oq_c, etc. (Fig. 1), could be taken to mean the amounts of each commodity *annually* produced by the given individual and disposable for consumption and exchange. The vertical length, used in Fig. 2, $q_a + q_b p_b + q_c p_c +$ etc., would then indicate his annual income measured in terms of the commodity A. I am aware that many economists object to such an introduction of the time element, but their objections disappear as soon as the notion of a statical market is admitted. To limit price analysis to a single instant and the supply to the amounts of stock then on the market, unnecessarily restricts its range of application, and "dealing in futures" makes its meaning vague. What can be meant by the amount of petroleum on the New York market at an instant? Many gallons are flowing through pipes and in twenty-four hours more than a million gallons will be added. The *rate* of production and not the stock is the well defined quantity, and so with all staple articles.

(3) Professor Walras goes unnecessarily out of his way in making his special supposition that in order to have a common cost price equal to the selling price suppliers must produce equal quantities (by which presumably is meant equal quantities per unit of time). The rate of production regulates the cost of production, that is, the *marginal* cost or sacrifice, and it is quite possible for this marginal cost (measured in money) to be the same for a small cobbler as for a large shoe manufacturer, though the fixed and running expenses may divide themselves very differently. Moreover, it is rather misleading to say that the equality of [marginal] cost and selling price implies neither gain nor loss. There exists a normal gain or "producer's rent," as Marshall calls it, which is quite distinct from and inde-

pendent of any speculative gains or losses, $\Omega_b (\pi''_b - p_b)$ etc., due to a disturbance of the equilibrium between cost and selling price.

IRVING FISHER.

I.

THE EXCHANGE OF SEVERAL COMMODITIES AMONG THEMSELVES.

In my *Eléments d'économie politique pure*, * passing from the theory of the exchange of two commodities to the theory of the exchange of several commodities among themselves, and seeing that in that case the demand or the supply of each of the commodities by each of the traders is a function, not only of the price of that commodity, but also of the price of all the others, I believed it was necessary to adopt exclusively the analytic method of expression and do without the help of diagrams. But since then I have found a means, which I will indicate briefly, of elaborating the theory in question by the method of geometrical representation.

Suppose a party to the exchange with the quantities q_a, q_b, q_c, q_d . . . of the commodities (A), (B), (C), (D), represented by the lines Oq_a, Oq_b, Oq_c, Oq_d . . . (Fig. 1) and having for him the utility expressed by the curves $\alpha_q \alpha_r$, $\beta_q \beta_r$, $\gamma_q \gamma_r$, $\delta_q \delta_r$ . . . I proceed to describe these curves which are the essential and fundamental basis of all the mathematical theory of social wealth.

We may say in ordinary language: "The desire that we have of things or the utility that things have for us, diminishes in proportion to the consumption. The more a man eats, the less hungry he is; the more he drinks, the less thirsty; at least in general and saving certain regrettable exceptions. The more hats and shoes a man has, the less need has he of a new hat or a new pair of shoes; the more horses he has in his stables, the less effort will he make to procure one horse more, always neglecting the action of impulses which the theory has the right to neglect, excepting when accounting for certain special cases." But in mathematical terms we say: "The intensity of the last desire satisfied, is

* Lausanne. F. Rouge. 1889.

a decreasing function of the quantity of commodity consumed," and we represent these functions by curves, the *quantities consumed* by the ordinates and the *intensity of the last desire satisfied* by the abscissas. For example, take the commodity (A), the intensity of the desire of our consumer which would be Oa_r at the beginning of the consumption, would be nil after the consumption of a quantity Oa_q, the consumer having then arrived at satiety. That intensity of the last desire satisfied, for the sake of brevity, I call *rareté*. The English call it the *final degree of utility*, the Germans *Grenznutzen*. It is not an appreciable quantity, but it is only necessary to conceive it in order to found upon the fact of its diminution the demonstration of the great laws of pure political economy.

For the present let $p_b, p_c, p_d \ldots$ be the prices of (B), (C), (D), in terms of (A) determined at random on the market. The first problem that we have to solve consists in determining the quantities of (A), (B), (C), (D) . . ., $x, y, z, w \ldots$ the first positive and representing the quantities demanded, the second negative and representing the quantities offered, which our trader will add to the quantities q_a, q_b, q_c, q_d, of which he is already possessed or which he will subtract from them, so as to consume the quantities $q_a + x$, $q_b + y$, $q_c + z$, $q_d + w \ldots$ represented by the lines Oa, Ob, Oc, $Od \ldots$ Just as we employed the general hypothesis, above, of a party to the exchange for whom the *rareté* decreased with the quantity consumed, so here we employ the general hypothesis of a party to the exchange who seeks in the exchange the greatest possible satisfaction of his desires. Now the sum of the desires satisfied by a quantity Oa of commodity (A), for example, is the *surface* $Oap_a a_r$. The *effective utility* is the integral described by the *rareté* in relation to the quantity consumed. Consequently the problem, whose solution we are seeking, consists precisely in determining Oa, Ob, Oc, $Od \ldots$ under the condition that the sum of the shaded areas $Oap_a a_r$, $Obp_b \beta_r$, $Ocp_c \gamma_r$, $Odp_d \delta_r \ldots$ be a maximum.

In order to furnish that solution very simply in the geometric form, I subject the curves of utility or desire $\beta_q \beta_r$, $\gamma_q \gamma_r$, $\delta_q \delta_r$ . . . to the following transformation. I lay off from the origin O, upon the horizontal axes, the new abscissas equal to $\frac{1}{p}$ of the old abscissas. Also, upon the parallels to the vertical axes drawn through the extremities of the new abscissas, I lay off from the horizontal axes the new ordinates equal to p times the old ordinates. In the figure, $p_b = 2$, $p_c = 3$, $p_d = \frac{1}{2}$ . . . As is easily seen, the new curves $\beta'_q \beta'_r$, $\gamma'_q \gamma'_r$, $\delta'_q \delta'_r$ . . . represent the utility of (A), as spent for (B), for (C), for (D) . . ., or, in other words, the desire the exchanging party has of (A), in order to procure some of (B), of (C), of (D). . . In short, if we consider the areas $O\beta_q\beta_r$, $O\gamma_q\gamma_r$, $O\delta_q\delta_r$ . . . as the limits of sums of rectangles infinitely small, we may consider the surfaces, $O\beta'_q\beta'_r$, $O\gamma'_q\gamma'_r$ $O\delta'_q\delta'_r$, as the limits of *equal* sums of rectangles infinitely small, each base being p times less, and each height p times greater. Now, each of the rectangles of the former sum represents the effective utility of an increment of commodity; each of the rectangles of the latter sum represents, in the same way, the equal effective utility of the p increments of (A), with which that increment of commodity may be bought.

The curves $a_q a_r$, $\beta'_q\beta'_r$, $\gamma'_q\gamma'_r$, $\delta'_q\delta'_r$ being placed beside each other, I take a vertical length OQ_a, representing the equivalent in (A) of the quantities q_a, q_b, q_c, q_d, of (A), (B), (C), (D) . . . at the prices 1, p_b, p_c, p_d . . . viz: $q_a + q_b p_b + q_c p_c + q_d p_d + \ldots$ and I advance it from right to left, in order to satisfy the varying desires in the order of their intensity, until it is sub-divided among the curves into the ordinates $r_a l'_a = Oa$, $r_a B = Ob'$, $r_a C = Oc'$, $r_a D = Od'$, . . . corresponding to a like abscissa. Now, that abscissa Or_a will represent, in terms of (A), the *rareté* of (A), of (B), of (C), of (D) . . . say, r_a, corresponding to the maximum of effective utility. The ordinates Oa, Ob', Oc', Od' . . ., will represent, in terms

of (A), the quantities to be consumed, of (A), of (B), of (C), and of (D), the only commodities to be consumed being those for which the intensity of the first desire to be satisfied is greater than r_a.

If we carry back the abscissas $Or_a = r_a$, $Or_b = p_b r_a$, $Or_c = p_c r_a$, $Or_d = p_d r_a$, . . . to the curves $a_q a_r$, $\beta_q \beta_r$, $\gamma_q \gamma_r$, $\delta_q \delta_r$ . . . we obtain the ordinates Oa, Ob, Oc, Od . . . representing the quantities of (A), of (B), of (C), of (D), . . . to be consumed. And so, *in a state of maximum satisfaction, the raretés are proportional to the prices, according to the equations:*

$$\frac{r_a}{1} = \frac{r_b}{p_b} = \frac{r_c}{p_c} = \frac{r_d}{p_d} = \ldots$$

Thus it is, that, given the quantities possessed and the utilities of the commodities, we determine for a party in the exchange the demand or supply of each of the commodities at prices taken at random, which will afford the maximum satisfaction of his wants.

Having given the demand and supply of commodities by all the parties in the exchange at prices taken at random, it remains to determine the current prices at equilibrium, under the condition of the equality of the total effective demand and supply. The solution of the second problem may also be furnished geometrically.

Let us, for an instant, neglect p_c, p_d . . . and seek at first to determine, provisionally, p_b. And, for that purpose, let us inquire how (p_c, p_d . . . being supposed constant) the variations of p_b influence the demand and supply of (B).

If y is positive, that is to say, if the trader is in need of (B), an augmentation of p_b can only diminish y. In short, if he takes at a higher price an equal quantity, he still owes a difference which he cannot pay, without diminishing the quantities of (A), (C), (D) . . . But, then, he will augment the *raretés* of these commodities; and, in consequence, the condition of maximum satisfaction will be less perfectly fulfilled. Hence, the quantity y is too great for a price higher than p_b.

If y is negative, that is to say, if the party is a supplier of

(B), there are three possible results. The party, being supposed to supply an equal quantity at a higher price, a surplus is due him, and, by means of that surplus, he can augment his quantities, and consequently diminish his *raretés* of (A), (C), (D). . . Then, one of three things occurs: Either the surplus is insufficient to re-establish the condition of maximum satisfaction, or it is just sufficient, or it is more than sufficient; and, in consequence, at a price higher than p_b, the party must supply a quantity of (B), either greater than, equal to, or less than y. It is certain, that he will find himself in one of these three cases, according to the amount of the enhancement of p_b. For, if, on the one hand, that enhancement of p_b constantly diminishes the ratio $\frac{r_b}{p_b}$ by increasing the denominator, that same increase of p_b admits, on the other hand, of a continual lowering in $\frac{r_a}{1}, \frac{r_c}{p_c}, \frac{r_d}{p_d}$ . . . by a diminution of the numerators r_a, r_c, r_d, . . . which may finally cause a decrease of the numerator r_b itself.

The variation of p_b, from zero to infinity, therefore, causes the party to the exchange to pass from the side of demand to that of supply; then, from an increasing supply to a decreasing supply. At the price zero, the demand is equal to the excess of the quantity necessary perfectly to satisfy the wants over the quantity possessed; at the price infinity, the amount offered is nil. In the case of the exchange of several commodities, as in the case of the exchange of two commodities with each other, the tendencies may be represented geometrically, for a party to the exchange, by a curve* $b_d\, b_p\, b_o$. (Fig. 1).

* [The ordinates of this curve have the same meaning as the ordinates of the utility curve for (B) on which it is superposed, but its abscissas represent the price of (B) in terms of (A.) Thus in order that the individual may consume Ob, that is buy $q_b\, b$ in addition to his original stock Oq_b the price must be $b\, y$ (in this case 2). If the price rises above $q_b\, b_p$ he ceases to buy and begins to sell. But the curve

All the parties to the exchange being not identical, but similar in their tendencies, as far as concerns the commodity (B), it is clear that all the partial curves of demand must be united† in a total curve that continually decreases, $B_d B_p$ (Fig. 2), and all the partial curves of supply in a total curve NP, successively increasing and decreasing, from zero to zero, if we take it positively, by making NP′ turn around the horizontal axis, so as to bring it to the position NP. The abscissa Op'_b, of the point of intersection B of the two curves $B_d B_p$ and NP, will be provisionally the current price at equilibrium for which the total effective supply and demand of (B) will be equal. Furthermore, the intersection of the two curves, $B_d B_p$ and NP, may take place either when the second curve rises, or when it falls.

It follows from the nature of the curves, that we shall obtain the provisional current price of (B) by raising it in case of a surplus of effective demand over effective supply, and lowering it, on the contrary, in case of a surplus of effective supply over effective demand. Passing then to the determination of the current price of (C), then to the current price of (D) . . ., we obtain them by the same means. It is quite true that, in determining the price of (C), we may destroy the equilibrium in respect to (B); that, in determining the price of (D), we may destroy the equilibrium in respect to (B), and in respect to (C), and so on. But, as the determi-

reaches a minimum point and then approaches $q_b p$ as an asymptote. That is as the price rises beyond a certain point, he ceases to stint himself in the enjoyment of (B) and parts with less and less of it. —TRANSLATOR.]

† [The total *demand* curve for (B) ($B_d B_p$ Fig. 2) may evidently be found from the partial curves such as $b_d b_p b_o$ by selecting on these individual curves the points which correspond to a given abscissa (price) and constructing a corresponding point in the total curve which shall have the same abscissa, but whose ordinate shall be the sum of the ordinates of the individual curves *measured above* $q_b p$ as $y p_b$. In like manner the ordinates of NP′ are the sum of the individual ordinates *measured below* $q_b p$ and corresponding to like abscissas.—TRANSLATOR.]

nations of the prices of (C), (D) . . . in respect to the demand and supply of (B), will result in a contrary way, we shall always be nearer the equilibrium at the second trial than at the first. We enter here on the theory of trial and error, such as I have developed in my work, and by virtue of which *we arrive at the equilibrium of a market by raising the price of commodities, the demand for which is greater than the supply, and by lowering the price of those, the supply of which is greater than the demand.*

It is due to the concurrent employment of analytic expression and geometric representation that we have here, in the case of the exchange of several commodities among themselves, not only the idea but the picture of the phenomenon of the determination of prices upon the market. And with this, it seems to me, we possess at last the theory. Some critics, however, laugh at the number of pages I use in demonstrating that we may arrive at a current price by raising in case of an excess of the demand over the supply, and lowering in case of an excess of the supply over the demand. "And you," I said once to one of them, "how do you demonstrate it?" "Well," he answered me, a little surprised and embarrassed, "is there any need of demonstrating it? It seems to me self-evident." "There is nothing evident except axioms, and this is not an axiom. But one naturally follows the mode of reasoning which Jevons has formulated so clearly in his little treatise on *Political Economy*, that a rise, making necessarily a diminution of the demand and an augmentation of the supply, causes equality in case of a surplus of the one over the other." "Precisely." "But there is an error there. A rise necessarily diminishes the demand; but it does not necessarily augment the supply. If you are a supplier of wine, it may well be that you supply less at a million, than at a thousand francs, less at a billion than at a million, simply because you prefer to drink your wine yourself, rather than use the surplus which you could procure by selling it beyond a certain limit. The same is true of labor. We easily

conceive that a man, who supplies ten hours a day of his time at the price of one franc an hour, would not supply more than four at the price of 10 francs, or than one at 100 francs. We see, every day, in the large towns, that the laborers, when they earn 20 or 25 francs a day, do not work more than three or four days a week." "But if that is so, how is raising it a means of reaching the current price?" "It is this that the theory explains. Two individuals, who have separated, may meet again, either by moving each, in an opposite direction to the other, or by one going faster than the other. Supply and demand equalize themselves, sometimes in one way, sometimes in another." Is it not worth while to demonstrate rigorously the fundamental laws of a science? We count to-day I do not know how many schools of political economy. The *deductive* school and the *historical* school; the school of *laisser-faire* and the school of *state-intervention*, or *socialisme de la chaire*, the *socialistic* school properly so-called, the *catholic* school, the *protestant* school. For me, I recognize but two: the school of those who do not demonstrate, and the school, which I hope to see founded, of those who do demonstrate their conclusions. It is in demonstrating rigorously the elementary theorems of geometry and algebra, then the theorems of the calculus and mechanics which result from them, in order to apply them to experimental ideas, that we realize the marvels of modern industry. Let us proceed in the same way in political economy, and we shall, without doubt, succeed in dealing with the nature of things in the economic and social order, as they are dealt with in the physical and industrial order.

II.

THE EXCHANGE OF PRODUCTS AND SERVICES WITH EACH OTHER.

It is my present purpose to apply to the theory of production and the theory of capitalization the exclusively geometric method of demonstration according to which I have sketched the theory of exchange in the preceding paragraph.

Now, in formulating the theory of exchange, we suppose the quantities of the commodities to be a given, not an unknown element of the problem. To begin with, in order to arrive at a theory of production, it is necessary to consider commodities as the products resulting from combined productive services, and, in consequence, it is necessary to introduce the quantities of manufactured products into the problem, as so many unknown quantities, adding as is proper, an equal number of determining mathematical conditions. That is what I wish to do here, referring to my *Elements of pure political economy* for definitions and notations.*

Suppose, then, the services of land, labor and capital [in the narrow sense] (T), (P), (K) . . . susceptible of being utilized, either directly as consumable services, or indirectly as productive services, that is to say, in the form of the products of the sorts (A), (B), (C), (D) . . . The first problem that we have to solve consists in determining, for each consumer, the supply of services and the demand for services, either in the form of consumable services, or as products. Now the solution of the problem is furnished us by the theory of exchange.

Given, then, a consumer possessed of the quantities q_t, q_p, q_k, of the services (T), (P), (K) . . . and having a desire for these services and a desire for the products, (A), (B), (C), (D) . . . expressed by the curves of utility or desire. Given, also, p_t, p_p, p_k . . . π_b, π_c, π_d, . . . the prices (taken at random) of (T), (P), (K) . . . and of (B), (C), (D) . . . in terms of (A). We will transform the curves of utility or desire of services and products into curves of utility (measured in (A)) of (T), (P), (K) . . . (B), (C), (D) . . . or, in other words, into curves of the desire for (A) to be used in procuring some of (T), (P),

* [These definitions of conceptions peculiar to the author and constituting essential elements of his system of Economics are to be found in the preface to his work (pp. XII–XVI). I have translated by *capitals* the word *capitaux* (which includes all things material or immaterial that are used more than once) and by *services* the word *services* (the successive uses of the capitals).—TRANSLATOR.]

(K), . . . (B), (C), (D) . . . This is done by dividing the abscissas and multiplying the ordinates by market prices. The curve of the utility or desire of (A) and the transformed curves of utility, or desire of (T), (P), (K) . . . (B), (C), (D) . . . being placed one under the other, we may advance a vertical line of the length $\Omega_a = q_t p_t + q_p p_p + q_k p_k + \ldots$ from right to left, until it distributes itself among all the curves into ordinates corresponding to a like abscissa r_a. By carrying back the abscissas $p_t r_a$, $p_p r_a$, $p_k r_a \ldots r_a$, $\pi_b r_a$, $\pi_c r_a$, $\pi_d r_a \ldots$ to the primitive curves, we obtain the ordinates representing the quantities of labor (T), (P), (K) . . . and of products (A), (B), (C), (D) . . . to be consumed. It is evident that *in the state of maximum satisfaction, the raretés will be proportional to the prices according to the equations:*

$$\frac{r_t}{p_t} = \frac{r_p}{p_p} = \frac{r_k}{p_k} = \ldots = \frac{r_a}{1} = \frac{r_b}{\pi_b} = \frac{r_c}{\pi_c} = \frac{r_d}{\pi_d} = \ldots$$

Our prices $p_t, p_p, p_k, \ldots \pi_b, \pi_c, \pi_d \ldots$ for services and products are supposed to be taken at random. We will now suppose, that there have been manufactured, say, the quantities Ω_a, Ω_b, Ω_c, $\Omega_d \ldots$ of (A), (B), (C), (D) . . ., at random, and, leaving p_t, p_p, $p_k \ldots$ as they are, let us determine the prices of (B), (C), (D) . . . by the condition that the demand for the products shall be equal to their supply, that is to the quantity manufactured. The solution of the second problem is likewise furnished us by the theory of exchange. Suppose, then, Δ_b, represented by the ordinate $\pi_b \Delta_b$ (Fig. 3), to be the total demand for (B) at the prices just supposed for services and products. We know, by the theory of exchange, that if, disregarding at first the prices of (C), (D) . . . and seeking to determine provisionally the price of (B), we cause the price to vary from zero to infinity, the demand for (B) will diminish always according to the curve $B_a B_p$. Hence, there exists a price, π'_b, corresponding to the equality of the demand for (B), with the supply Ω_b, which is $> \pi_b$, if, at the price π_b, the demand for (B) is greater than the supply, and which is $< \pi_b$, if, at the price

π_b', the supply of (B) is greater than the demand. We shall likewise find a price π_c', corresponding to the equality of the demand for (C), with the supply Ω_c, a price π_d', corresponding to the equality of the demand for (D), with the supply Ω_d, and so on. After the first experiment we proceed to a second, to a third still, and so on, until we have obtained a series of prices, π_b'', π_c'', π_d'' . . . at which the demands for (B), (C), (D) . . . will be equal to the supplies Ω_b, Ω_c, Ω_d . . . We conclude then that in the matter of production, as in the matter of exchange, *we reach the equilibrium of market of products in raising the price of those, the demand for which is greater than the supply and lowering the price of those, the supply of which is greater than the demand.*

π''_b, π''_c, π''_d . . . are thus the *selling prices* of the quantities, Ω_b, Ω_c, Ω_d . . . of (B), (C), (D) . . . But from the prices, p_t, p_p, p_k . . . of the services, (T), (P), (K) . . . result certain cost prices, p_b, p_c, p_d . . . of the products, (B), (C), (D) . . .* And the difference, positive or negative, between the *selling price* and the *cost price*, in the production of (B), (C), (D) . . . results in the gain or loss, $\Omega_b(\pi_b'' - p_b)$, $\Omega_c(\pi_c'' - p_c)$, $\Omega_d(\pi_d'' - p_d)$ . . . It is now necessary to determine the manufactured quantities of (B), (C), (D) . . . by the condition that the *selling price* and *cost price* be equal, so that there may be neither gain nor

* It is true that, in order to suppose a cost price, common to all the undertakers, it is necessary to suppose that the *fixed expenses* distribute themselves among an equal quantity of products, in order to allow us to make them correspond to the *proportional expenses;* that is, it is necessary to suppose all the parties manufacturing equal quantities of products. The hypothesis is no more real than that of the absence of gain or loss, but it is as rational. If, in short, at a given point, a certain quantity of manufactured products corresponds to the absence of gain and loss, the parties in the transaction, who manufactured less, take the losses, restrain their production and finish by liquidating, those who manufactured more take the gains, develop their production and attract to themselves the business of the others; thus, owing to the distinct nature of proportional expense and fixed expense, production in free competition, after being engaged in a great number of small enterprises, tends to distribute itself among a number less great of medium enterprises, then among a small number of great enterprises, to end finally, first in a *monopoly at cost price*, then in a *monopoly at the price of maximum gain*. This statement is corroborated by the facts. But during the whole period of competition and even during the period of monopoly at cost price, it is always permissible, in order to simplify the theory, to suppose the undertakers manufacturing equal quantities of products and to make the fixed expense correspond to the proportional expense.

loss to the undertakers. This third problem is the especial problem of the theory of production, and may also be solved geometrically as follows:

Let Op_b (Fig. 4) be an abscissa representing the *cost price*, p_b. Let $O\pi''_b$ be an abscissa representing the *selling price*, π_b''; and $\pi''_b B'$ an ordinate representing the quantity Ω_b of (B), manufactured at random, and demanded at the price π_b''. If we suppose $p_b, p_p, p_k, \ldots \pi_c'', \pi_d'' \ldots$ determined and constant, and that we may vary the price of (B), from zero to infinity, it is certain that the demand for (B) will diminish, always following a curve $B_d' B_p'$. Consequently, there exists a demand Ω_b', corresponding to a *selling price*, equal to the *cost price* p_b, which is $\gtrless \Omega_b$, according as π_b'' is $\gtrless p_b$. We might also find a demand Ω_c', corresponding to a *selling price* equal to a *cost price* p_c; a demand Ω_d', corresponding to a *selling price* equal to a *cost price* p_d, and so on. If, then, we substitute the manufactured quantities, $\Omega_b', \Omega_c', \Omega_d' \ldots$ for the manufactured quantities, $\Omega_b, \Omega_c, \Omega_d \ldots$ and sell them, according to the mechanism of rise and fall of prices described in the preceding paragraphs, we obtain new selling prices which will still be slightly different from $p_b, p_c, p_d \ldots$ Proceeding thence to a second, to a third trial, of the two experiments, and so on, we shall obtain at last certain quantities, $D_b, D_c, D_d \ldots$ of (B), (C), (D) . . . disposed of at *selling prices* equal to the *cost prices*, $p_b, p_c, p_d \ldots$ We may, then, enunciate this important proposition for the theory of production, viz: *we arrive at the equality of the selling price of products and their cost price in productive services by augmenting the quantity of products, of which the selling price exceeds the cost price, and by diminishing the quantity of those whose cost price exceeds their selling price;* by which we see that, strictly speaking, the consideration of the expense of production determines not the *price* but the *quantity* of the products.*

* Imagine that instead of saving only himself, Robinson Crusoe had been accompanied by a hundred sailors and passengers who brought with them rice, rum, etc. If all these individuals held a market on the shore in order to exchange their

Our prices of services p_t, p_p, p_k . . . have always been determined at random. There remains to us a fourth and last problem to solve, which is to determine the way in which the quantities demanded and the quantities supplied are equal. Now, at the point where we are, there are quantities supplied of (T), (P), (K) . . . U_t, U_p, U_k . . . which are determined by the condition of maximum satisfaction, conformably to the solution of our first problem. And, in view of the quantities supplied, there are quantities demanded which are composed of two elements: first, the quantities demanded by the consumers in the way of consumable services u_t, u_p, u_k . . . which are also determined by the condition of maximum satisfaction; then, the quantities demanded by the undertakers in the way of productive services, D_t, D_p, D_k, . . . which are determined by the quantities manufactured of the products (A), (B), (C), (D) . . . the demand for which is equal to the supply, and the selling price equal to the cost price, conformably with the solution of our second and third problems. We may demonstrate exactly as in the theory of exchange, that if, everything else remaining equal, we cause p_t to vary from zero to infinity, (1), the demand for (T), $D_t + u_t$ will diminish, always following a curve $T_d\ T_p$ (Fig. 5); (2), the supply of (T) will, starting from zero, increase, then diminish and return to zero, following a curve QR; and that, consequently, there exists a price p'_t, at which the supply and demand of (T) are equal, which is $> p_t$, if at the price p_t, the demand for (T) is greater than the supply, and $< p_t$ if at the price p_t, the supply of (T) is greater than the demand.

commodities with each other, these would have current prices perfectly determined and entirely independent of the cost of production. This is the problem of exchange and shows how the prices depend only on the *rareté*, that is, the utility and quantity possessed of the commodities. But if, afterwards, these individuals, having found on the island the necessary productive services, proceed to manufacture the same commodities and carry their products to the market, the commodities whose selling price exceeds their cost price would multiply; those whose cost price exceeds their selling price would become rare, until the equality of selling price and cost price was established. This is the problem of production and shows how the consideration of the cost of production determines the quantity and not the price of the products.

There exists, likewise, a price p'_p, at which the supply and demand of (P) are equal, a price p'_k, at which the supply and demand of (K) are equal, and so on. After a first series of experiments with the prices, p_t, p_p, p_k . . . including, of course, the experiments in the second and third problems, we would proceed to repeat them on the prices, p'_t, p'_p, p'_k . . . and so on. Hence, *we arrive at the equilibrium of the market for services as in that for products, by raising the price of that for which the demand is greater than the supply, and lowering the price of that whose supply is greater than the demand.**

We must represent to ourselves all the operations as taking place simultaneously which by the requirements of the demonstration we have had to suppose occurring successively ; that is to say, in the market of products and in that of services, those who demand raise the price when the demand exceeds the supply, and those who supply lower the price when there is an excess of supply over the demand. The undertakers increase their production in case the selling price exeeeds the cost price and reduce it, on the contrary, when the cost price exceeds the selling price. And here, again, thanks to the geometric representation, we shall have an exact and complete picture of the general phenomenon of the establishment of economic equilibrium under the rule of free competition. But, nevertheless, an analytical form of expression will be necessary to a strictly scientific understanding of the matter. From this point of view, then, having defined the elements of the system or the quantities that come into play, it is necessary to distinguish those which are given and those which are unknown, to express by equations the conditions of economic equilibrium, to prove that these equations are in number just equal to the unknown quantities, to show that, by the experiments, we approximate more and more nearly the solution, and to explain the particular conditions of equilibrium so far as concerns the product (A). For all these matters, of which nothing has

* The price of the raw materials would be determined as that of productive services.

been said here, I take the liberty of referring the reader to section III of my *Eléments*.

III.

THE EXCHANGE OF SAVINGS FOR NEW CAPITALS.

In order to simplify, let us suppose for the present, the equilibrium established as regards the quantities of commodities manufactured as well as the prices of commodities and of services, and let us neglect the changes which may be caused in this equilibrium by our investigation of the special eqiulibrium of capitalization. Let us, in the same way, neglect the cost of the redemption and insurance of the capitals.

The elements in the equilibrium of capitalization are the quantities produced of new capitals and the rate of interest whence results the prices of the capitals following the general formula $\pi = \frac{p}{i}$.

Suppose, there are produced at random, the quantities D_k, D_{k1}, D_{k11} . . . of capitals of the sorts (K), (K′), (K″) . . . and that there is a rate of interest at random, i. At that rate each man engaged in exchange determines the excess of his income over his consumption, and the total of these individual excesses forms a total excess E, which is the quantity of cash at hand to buy new capitals or the demand of the new capitals in cash at the rate of interest, i. On the other hand, at the current prices for their use, p_k, p_{k1}, p_{k11}, supposed to be determined and constant, the quantities D_k, D_{k1}, D_{k11} . . . of the capitals (K), (K′), (K″) . . . give a total income $D_k p_k + D_{k1} p_{k1} + D_{k11} p_{k11} + \ldots$, and possess a total value

$$\frac{D_k p_k + D_{k1} p_{k1} + D_{k11} p_{k11} + \ldots}{i}.$$

which is the quantity of cash demanded in exchange for the new capitals or the supply of new capitals at the rate of interest i. If, by chance, the two quantities of cash are equal, the rate i will be the rate of the equilibrium of the interest,

but generally they will be unequal and it remains to render them equal.

Now, we may assume that the excess of the income over the consumption is at first nil, at a nil rate, then it multiplies and augments at a positive and increasing rate, then diminishes and returns to zero, if the rate tends to become infinitely great; that is to say, if, with a minimum saving, one may gain a very great increase in his income. In other words, the rate of interest, being an abscissa on the axis OI (Fig. 6), the excess of income over consumption will be the ordinate of a curve, successively increasing and decreasing, S T. As to the value of the new capitals it evidently increases or decreases, according as the rate of interest decreases or increases. In other words, the rate of interest being an abscissa on the axis O I, the value of the new capital may be an ordinate of a curve continually decreasing, U V. Hence, we see immediately that *it is necessary to raise the price of the new capitals by lowering the rate of interest if the demand for new capitals in cash is greater than the supply, and to lower the price of the new capitals by raising the rate of interest, if the supply of the new capitals in cash is greater than the demand.*

At this time, there are the cost prices P_k, P_{k1}, P_{k11} . . . of the new capital (K), (K'), (K'') . . . besides the selling prices π_k, π_{k1}, π_{k11} . . . The question is to reduce the selling and cost prices to the equality which generally does not exist between them. Now we may regard as established by the previous demonstrations that in augmenting or diminishing the quantity of a capital (K), we diminish or augment the *rareté* and the price of its use, and consequently the selling price of this capital, and that is to say, that the curve of the quantity in relation to the selling price is the constantly decreasing curve $K_d K_p$ (Fig. 7). And we are equally justified in concluding that in augmenting or diminishing the quantity of the same capital (K), we augment or diminish the *rareté* and the prices of the productive services which enter into the making of the capital and con-

sequently its cost price; that is to say, that the curve of quantity in relation to the cost price is the constantly increasing curve, X Y. Hence, we see immediately and without the necessity of reproducing here the exposition of the successive approximations in regard to the quantities of capital (K), (K′), (K″) . . . that *it is necessary to augment the quantity of a new capital, whose selling price exceeds its cost price and diminish the quantity of that whose cost price exceeds its selling price.*

The equilibrium of capitalization once established, as has just been explained, we have:

$$P_k = \pi_k = \frac{p_k}{i}, \quad P_{k1} = \pi_{k1} = \frac{p_{k1}}{i}, \quad P_{k11} = \pi_{k11} = \frac{p_{k11}}{i}$$

$$\text{or} \quad \frac{p_k}{P_k} = \frac{p_{k1}}{P_{k1}} = \frac{p_{k11}}{P_{k11}} = \ldots;$$

that is to say, the rate of interest is the same for all capital saved.

We may demonstrate geometrically in a very simple manner, at least as far as concerns capitals in consumable services, that *this identity of rate of interest is the condition of the maximum utility of new capitals.*

There are two problems of maximum utility relating to the services or use of new capitals; that connected with the distribution by an individual of his income among his different kinds of desires, and that connected with the distribution by a society of the excess of its income over its consumption among many varieties of capital. The first is solved by means of the construction which was made in the theory of exchange, and referred to at the beginning of the theory of production, involving the proportionality of the *rareté* of a species of capital to the price paid for its use, according to the equations:

$$\frac{r_k}{p_k} = \frac{r_{k1}}{p_{k1}} = \frac{r_{k11}}{p_{k11}} = \ldots$$

It will be understood, without difficulty, that the second problem would be solved by a construction exactly similar

to the former. Instead of transforming the curves of the desires for the various services of capitals by dividing the abscissas, and multiplying the ordinates by the prices for their use, p_k, p_{k1}, p_{k11} . . . we should divide the one and multiply the other by the cost prices P_k, P_{k1}, P_{k11} . . . , involving the proportionality of the *raretés* to these prices, viz:

$$\frac{r_k}{P_k} = \frac{r_{k1}}{P_{k1}} = \frac{r_{k11}}{P_{k11}} = \ldots$$

or, dividing the latter system by the former:

$$\frac{p_k}{P_k} = \frac{p_{k1}}{P_{k1}} = \frac{p_{k11}}{P_{k11}} = \ldots$$

which expresses the identity of the rates of interest of all capital.

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(Translated under the supervision of IRVING FISHER, of Yale University.)

DISCUSSION.

THE BASIS OF INTEREST.

(A Reply to Mr. Lowrey.)

Under the above caption there appeared in the ANNALS for March an interesting paper by Dwight M. Lowrey, Esq. The author, having apparently accepted Mr. George's economic doctrines in relation to labor and rent, points out the inconsistency between these doctrines and the same writer's theory of interest. He strives to refute and destroy this latter theory, and to establish a theory of his own, which will square with those doctrines. His purpose appears to be to redeem the main principles of Mr. George's system of economics from the socialism toward which they so strongly tend. His statements are so clear, his style so charming and vigorous, and his tone so confident that the reader is carried away by the writer's enthusiasm. On careful consideration, however, I can not but feel that in both the destructive, or critical, and the constructive, or positive parts of his effort, he has been unsuccessful.

Briefly stated, Mr. George's theory of interest is that capital may be so employed as to aid labor by bringing into co-operation with it the properties of matter, or the active forces of nature, thereby bringing to its user an increment which his unaided labor could not secure; that capital may purchase the help of the spontaneous efficiency of nature, and thereby become reproductive; and, that the lender of such capital may justly take interest in compensation for the loss of this assistance.

Having stated this theory, Mr. Lowrey points out the truth, that if part of this product is the result of natural forces, and not of its possessor's labor alone, then the laborer is enjoying more than his product, and, according to Mr. George's shibboleth that he is entitled to his product, the

whole of his product and *nothing but his product*, the public may justly confiscate that part of it which nature contributed. This, as he states, leads, in the last analysis, to pure socialism. In order to escape this conclusion he proceeds, not to examine whether this shibboleth is a final statement of the basis of private property, but to deny for nature any such spontaneous efficiency as is claimed for it; to argue that in all the various undertakings in which human labor is engaged nature contributes nothing to the result, but the whole is the product and reward of labor. "'But the real answer to Mr. George," he says, "is that the whole notion of the reproductive power of capital is a delusion. There is no form of capital which will yield an increase which is not the result of labor."

This clear and confident statement appears to me to be in flat contradiction to the basis upon which all business is conducted, and to be as unsound in the abstract as it is unprofitable and delusive in the concrete. The fundamental vice in the theory is that it utterly ignores that vital point in all productive labor, *the means necessary to its employment*—materials upon which to work, tools with which to work, both adapted by nature and design to the kind of work in hand. Under the present constitution of society it is the part of capital to furnish, generally the former, and always the latter. Without this means of production little of what now results from labor would be produced. A part of the result must, therefore, be credited not to labor, but to capital; or rather, it is the joint product of both. This province of capital is denied in the passage above quoted. Notwithstanding this denial the facts seem to me almost too palpable to require argument, but a single illustration may not be out of place.

A South African miner finds a diamond in the earth. For his personal use it is a mere pebble and worthless. It is, however, sent to a skilled diamond cutter, who works upon it with the best appliances of his trade, and it emerges from the process a gem of almost priceless worth. Had it been

treated by tools and appliances less suited to the work its beauty and value would have been far less. Is this value due wholly to the labor put upon it? Mr. Lowrey, to be consistent, must answer, yes. But not so thinks the miner, who holds it at a large price, because he sees in it the means of producing the gem. A miner in the Black Hills finds a diamond of an inferior quality. He may place it in the hands of the same lapidist, but no amount of labor and skill, no character of tools and appliances will enable him to produce a gem equal to the former. This difference in product is due wholly to the difference in the means of production placed in the laborer's hands.

"It is true," Mr. Lowrey admits, "that there are in nature about us active forces in constant operation which we may direct to the production of wealth. The vital forces are of this category, but they, by no means, constitute the whole of it. These active forces which make for change are properties of matter no less surely than are the passive properties which offer resistance to change. A carpenter is able to put a finish on a board with a plane, not merely because he applies his labor to the work, but because the board in the order of nature, is so constituted that it may be polished in that way. Some boards take a better finish than others; and, if he worked all day, his plane would not make any impression upon a pail of water or a heap of sand. A lumberman throws logs into a stream and the current carries them down to the boom. He takes advantage of the properties of water, its buoyancy and its disposition to run down hill, in order to effect his purpose, which is the transportation of the logs. He puts the logs into the stream, says Mr. George, nature does the rest. Well, what of it? The cabinet maker moves his plane over the face of a rough walnut board, nature does the rest. Human labor gives the original impulse in both instances, and the product is the joint result of the human impulse and the properties of matter."

This is true, but it is in direct contradiction of Mr. Lowrey's purpose, for it recognizes a joint product, the re-

sult of human labor and of the properties of matter, ownership in the whole of which, in accordance with the beforementioned shibboleth, which Mr. Lowrey accepts as having the force of self-evident truth, the laborer cannot claim, since a joint product is the result of something more than his labor. Farther on, however, it will be seen that he loses sight of this distinction and claims for labor the entire product. In the following passage the efficiency of nature, admitted above, is denied and the entire result attributed to labor.

"Mr. George's imagination is profoundly impressed by the thought that after having thrown his logs into the stream the lumberman may sleep while his timber is floating down to its destination; that the farmer may sleep while his grain is germinating and developing; that the shepherd may sleep while his flocks are multiplying. But the interpretation of this fact, so far as it is a fact, is exactly the converse of the one suggested by Mr. George. The explanation is not that in these instances the laborer receives some exceptional reinforcement from the so-called vital forces of nature, but rather that after he has done all that he can do he is compelled to wait a considerable time before he can enjoy the the finished product. Indeed, this circumstance appears to be rather a disadvantage than an advantage. * * * It is not, as Mr. George supposes, a pension to idleness, but it is directly a burden upon labor, not an aid but a discouragement. The length of time required for grain to germinate and ripen, for wine to mature, or for the logs to reach the boom, strikes Mr. George's imagination and causes him to think that nature is coöperating with man in those instances in a manner distinct from that in which she lends her aid in the transaction of planing a plank. In truth this is not the case, the only real difference is that her response to the impulse of labor is slower in one case than the other."

In view of what I have said above, it seems hardly necessary to point out the fact that in the transaction of planing the plank Mr. Lowrey has not selected an example in which

the result is the product of labor alone. To show a parity between two products, both of which are the combined result of human labor and the properties of matter, does not help his cause. He must show such a parity between the result of labor alone and that of labor assisted by nature. This he does not attempt. Then too, the proposition which he does make seems to me utterly untenable. The power to imitate the example of the Saviour at Cana would no doubt be desirable, but, in the absence of such a power, it is not probable that any one else ever saw, in the fine chemical process by which grape juice is converted into wine, or in the action of the sun, by which the acid of the unripe fruit is converted into the delicious flavor of the peach, a burden and penalty upon labor. When the plank is planed its substance is the same as before. Its value is enhanced only by the labor and skill put upon it in order to adapt it to the required purpose. But the grape juice has been transmuted and become an entirely different substance. Its value has been increased both by the care of man and by the properties conferred upon it by the process of fermentation and of ripening. Nature could not have dispensed with man's part in the transaction. No part or skill of man can do nature's part of the work. To deny to nature a share in the result, even though time is consumed in the process, seems to me sheer nonsense. But unless Mr. Lowrey intends to do so, he has not yet escaped a joint product together with the right of confiscation which "leads to pure socialism."

Space will not permit me to examine Mr. Lowrey's able paper passage by passage, but from what has been quoted above and the following, the spirit of his argument may be fairly caught:

"Now it is perfectly true that the milk and fruit do represent something more than the reward of labor of the current season, but that is the case only because the labor of the current season does not constitute all the labor which was required to bring about the result. When the tree was planted the object was to obtain fruit, and when the cow was bred the

object was to obtain milk. The fruit and the milk are the reward of all the labor necessary to obtain them, *and they are the reward of nothing else.* If the fruit tree never bears but one apple and then becomes barren, if the cow gives but one quart of milk and then never gives any more, the labor previously expended would be rewarded though insufficiently. If, on the other hand, the branches of the tree are laden with fruit and the cow's udder is heavy with milk with each recurring season through the long series of years the labor will be richly rewarded. *But in each case it is the labor alone which was rewarded.* In the same way, a table is the reward of all the multifarious labor which precedes its completion, but in that case the reward is obtained all at once. Milk and fruit, however, are recurrent rewards which nature pays in installments. *That is the only difference.*"

The italics are mine. Now I cannot doubt that Mr. Lowrey has persuaded himself of the truth of the position here taken, but I am quite confident that if the tree and the cow were gifted with reason as well as endowed with life, he would have a hard time in persuading them of the justice of his conclusion, and that their activity counted for nothing in the result. Besides it is not true that the table is the reward of all the labor which preceded its completion. It is something more than this. It is the combined result of this labor and of the forces of nature, which operated aforetime in the forest and the mine, producing the materials of which it is made. These materials, together with the workmen's tools, were the capital used in its construction; it is, therefore, the joint product of capital and labor, or, if we go farther back, of nature and labor. But under the Georgian theory the public may confiscate that part which belongs to nature. We have not, then, been helped by Mr. Lowrey's argument, in the direction in which he would lead us. In the remaining parts of the sixteen pages devoted to the criticism of Mr. George's theory of interest, I do not find anything differing in purpose or more helpful in matter, than in the passages quoted. His earnestness, his vigorous spirit, and his

clear and graceful style, are worthy of all praise, but his logic does not appear to me satisfactory, nor his conclusions sound.

In the second or constructive part of his essay, Mr. Lowrey avails himself of Bastiat's illustration as corrected by Mr. George. As he states the problem, James and William are equal in all respects, save that the latter has a plane while the former has none. Each is required to work ten days to make a plane. Each can plane one plank a day and in 290 days his plane will be worn out. James borrows William's plane, agreeing, at the end of the year, to return a new one in its stead, and to pay one plank for its use. He works 290 days and produces 290 planks. The remaining ten days he employs in making a new plane which he gives to William to replace the borrowed one, together with one plank as interest. William employs the first ten days in making a plane, the next 290 in planing with it. At the end of the year he has worn out his plane, has produced 290 planks, receives a new plane from James and one plank besides, so that James will have 289 planks and William 291, whereas, had James, instead of borrowing, employed the first ten days in making a plane he would have finished his 290 planks at the end of the year, while William would have finished planing ten days earlier and employed the last ten days in making his own new plane. At the end of the year each would have had 290 planks and would have in all other respects exactly similar to their condition on the supposition that James borrows William's plane. Under these circumstances how can James justify borrowing, or William the receipt of interest? Mr. Lowrey's assumption is that they are upon terms of perfect equality, save that William possesses the plane. It will not do, he tells us, to suppose that James borrows to enable him to meet present needs by present product, for, upon that theory William's need would be equally great, and, therefore, he could not loan the plane. Thus, point by point, he rules out all motives for the transaction save one. Upon this motive he rests his case, and believes that he has established an unassailable basis of in-

terest. This remaining motive is desire. James desires the possession of his planks ten days earlier than he could otherwise have them, and, for the gratification of this desire, he is willing to part with a plank. William also has this desire, but he is willing to forego it for the sake of gaining a plank.

Such the problem, such Mr. Lowrey's solution of it. Upon examination, however, one will find the question still unsolved. Upon the basis of exact equality, which is the condition assumed, the desire of James would be no stronger than that of William. These desires exactly balancing each other, the transaction could not take place, except upon condition that James weakly yields to self-indulgent folly by playing more than the gratification of his desire is worth, and William overreaches his fellow by taking more than the equivalent of his self-sacrifice. Upon this assumption alone can the transaction take place. It is plain such a transaction lacks an equitable basis, and so, for want of foundation, falls the superstructure which Mr. Lowrey has erected with so much diligence and care.

Is it possible, then, to so state the case as to justify the taking of interest for capital loaned? One may easily imagine many circumstances in which the benefit to William would be greater than that of the future possession of the plank, as, for instance, the supply of present needs for self or family, or the procurement of present means of profitable employment, and, in such cases, he may prudently borrow.

But can William be justified in taking interest? If his mind has been mystified by the speculations of the political economists, he may have difficulty in so doing. But if he be a plain man of business, he would probably reason thus: "I can exchange the plane with John for a pair of chickens. These will yield enough in eggs and young chickens to repay the cost and labor I will be required to expend upon them, and have, at the end of the year, surplus sufficient to buy a plank; therefore, if I loan the plane to James, I may justly take from him the plank I might otherwise gain."

B. F. HUGHES.

Philadelphia.

MISCELLANY.

CONFERENCE OF THE CENTRAL BUREAU FOR THE PROMOTION OF THE WELFARE OF THE LABORING CLASSES.

On the 25th and 26th of April the first conference of the "*Central Bureau for the encouragement of institutions which tend to increase the material well-being of the laboring classes*" took place at Berlin. This Central Bureau (*Centralstelle für Arbeiterwohlfahrtseinrichtungen*) is the result of long endeavors on the part of the men foremost in the movement of social reform in Germany to create a common centre of action, and thus correlate the efforts of those wishing to better the condition of the laborers in their employ, besides aiding employers in every way (pecuniary aid excepted) in the planning and execution of such projects. The main stress is to be laid upon the erection of workingmen's houses. Plans and advice based upon the experience of the past are placed at the disposal of all employers.

Some months ago ten different associations, whose common platform is the amelioration of the condition of the laboring classes, founded the Central Bureau, the first conference of which was called for the 25th and 26th of April; with these eleven other associations joined their efforts, as well as a number of the great industrial establishments of Germany, such as those of Krupp, Stumm and others. The Government has shown its interest in this movement by co-operating with the executive organ of the Central Bureau in the appointment of two of its members. The opening clauses of the Constitution of this body define as exactly as possible the objects of the organization:

I. The collection, exposition, and cataloguing of descriptions and reports of institutions for the amelioration of the condition of the laboring classes.

II. To give all necessary information and to answer all questions of associated, as well as of non-associated societies, concerning such institutions.

III. To send accounts of the noteworthy endeavors in this domain of social reform to the organs of the associated societies, as well as to other reviews and journals.

The first day of the conference was devoted to the tenement-house question. Inasmuch as the time was very limited the papers which were to be read were published *in extenso* before the conference took place. These were as follows:

1. The control and care of the employer for the dwellings of his laborers, by Herr Kalle (Wiesbaden.)

2. Co-operation of the employer in the solution of the tenement-house question, by Dr. Albrecht (Lichterfelde.)

3. General principles in the erection and furnishing of workingmen's dwellings, by Dr. Nussbaum, of the Technical High School of Hanover.

4. Encouragement of the settlement of laborers in the State mines through the granting of building advances and building premiums, by Chief Councillor of Mines Taeglichsbeck.

5. The workingmen's colony at the State torpedo factory at Friedrichsort, by Captain Harms.

6. The workingmen's colony at the State car workshops at Leinhausen, by Railway Director Thiele.

In view of the fact that the Congress was already in possession of the printed articles these gentlemen limited themselves to a few general remarks in which they gave a synopsis of their paper, supplementing it with some explanatory facts.

In an introduction, Mr. Kalle passes in review the many advantages which an employer derives from the comfortable housing of his laborers. He then examines the different methods through which the employer can exert an influence upon the erection of workingmen's houses. The system employed by the Prussian Mining Administration, which is a

system of non-interest bearing loans and building premiums, was first considered. We shall have occasion to speak of this system more in detail.

Then came the system employed by Messrs. Billroy & Boch, in Mettlach (Upper Silesia), which consists in building houses out of the firm's funds and then enabling the workingmen to become proprietors through the gradual payment of the cost of the same. The employee is expected to pay at least 5 per cent. of the cost of the house and lot annually, of which 3 per cent. represents the interest upon the capital invested and 2 per cent. the amortization. The house remains the property of the firm during the first ten years of such payments, after which the workingman may take the property into his own hands upon the condition of continuing the payment of the 5 per cent. until the amortization is complete. This experiment has been crowned with great success and has served as a model in many parts of Germany.

The most common system was then examined—that of building the houses by the employer from whom the laborers rent. By far the most extraordinary effort in this line has been made by the firm Friedrich Krupp. Workingmen and their families included, 73,769 persons, are dependent upon this gigantic undertaking. Of these 24,193 are tenants of houses built by the company. The majority of these houses contain six dwellings or apartments. The rents are as follows:

Dwelling, with two rooms and cellar, 90–108 marks,
Dwelling, with three rooms and cellar, 120–162 marks,
Dwelling, with four rooms and cellar, 180–200 marks,
Dwelling, with five rooms and cellar, 216–330 marks,

annually. The rent is deducted from the wages every two weeks.

Other well-known efforts in this direction were then discussed, as well as the questions of leases, of general eating houses and kitchens for the unmarried laborers.

The second paper, that of Dr. Albrecht, upon "The co-operation of the employer in the solution of the tenement-house question," limits itself mainly to that part of the question which is peculiar to great centres of population. The building associations are examined in detail, especially the English, "*Terminable Societies*" and the Philadelphia "*Building and Loan Associations*," the French "*Société immobilière des ouvriers de Paris*," and the Scandinavian "*Arbeydernes Byggeforening*." The few efforts made in Germany with such associations are then taken up especially the "Berlin Co-operative Building Society," which was founded in 1886, with twenty-eight members, as a nucleus. Each member is bound to take stock to the amount of 200 marks (fifty dollars), which can be paid off in weekly dues of forty pfennige (ten cents.) No member can be the holder of more than ten shares. Upon the money paid in, a dividend is declared if the profits are high enough to warrant this. A shareholder can become proprietor of one of the houses built by the society in one of two ways. He may, on the one hand, pay one-third of the price immediately, the remainder being placed in the form of a first mortgage, upon which he has to pay the interest. In this case he passes into immediate possession. Should he not, however, have the necessary sum, he can lease the house at the rate of 6 per cent. of the price. Of the 6 per cent. 4 per cent. is regarded as rent and 2 per cent. as amortization of the cost of the house. As soon as one-third is paid off in this manner the tenant takes possession of the house as proprietor, the remaining two-thirds of the price being covered by a first mortgage. This society has rapidly developed since 1886, so that it includes to-day 800 shareholders, who have already paid in 95,000 marks. Over sixty houses have been built in different parts of Berlin, with a total value of 730,000 marks. These houses, however, can only be rented by the very highest-paid laborers, so that the question is by no means solved. Dr. Albrecht sees the solution, however, even for the lower class of laborers, in

the co-operative principle, but maintains that the employer should come to their aid by putting his business capacity at their disposal in the administration of such co-operative societies, and by granting or procuring credit for the society until the first houses are finished. With an appeal to the State as well as to the community to do all in their power to further these efforts, the report closes.

The paper of Dr. Nussbaum upon the General Principles to be followed in the erection and furnishing of workingmen's dwellings, is technical in its nature. He examines into the circumstances which should determine the selection of building lots, the principles of proper drainage and sewerage, the choice of building material, the plan of such houses, the necessary size of an apartment, their heating, airing and cleansing. This paper limits itself almost exclusively to the tenement or "flat" system.

The paper of Chief Councillor of Mines Taeglichsbeck was one of the most interesting of those presented. He showed what the State Mining Administration had done to improve the condition of the dwellings of its laborers. The results obtained show a most admirable activity in this line. In the State mines, in Upper Silesia, the administration presents the miner with a building lot, to which is added a non-interest bearing loan, which may reach the sum of 2400 marks. He is then bound by the contract* to inhabit the house himself for a period of at least ten years. Taking all the State mines of Prussia we find that from 1865 to the close of the fiscal years 1890–91, the administration of mines, in order to encourage the permanent settlement of their laborers in the neighborhood of the mines, granted 3,471,815 marks in building premiums and 6,050,545 marks in non-interest bearing loans.

A paper by Captain Harms contained an account of the efforts of the State Torpedo Factory to care for the material welfare of its laborers. The factory employs 825 workmen.

* The miner is, of course, no longer bound by the contract if he leaves the mine. In this case the house is repurchased by the Administration.

It encountered especially great difficulties in the solution of the dwelling problem because of the comparatively great number of unmarried laborers which it employs. The system adopted was to build houses with two and four apartments for families, to which were attached single rooms for the unmarried element.

Railway Director Thiele contributed a paper containing a description of the houses built by the Prussian Administration of Railroads for the employees in the workshops of Leinhausen, near Hanover.

In the discussion which followed, delegates from all parts of Prussia took part. Especially interesting were the remarks of Herr Gussmann, one of the directors of the Krupp works. He sketched as briefly as possible the almost unparalleled efforts of this company to win for itself a trustworthy, thrifty and honest army of laborers through a systematic amelioration of their material and mental condition. Another very interesting question touched upon was the position of the funds of the *State Insurance Association* for the aged and incapacitated. This is particularly important for Berlin, which, according to the imperial law, forms a district by itself. It seemed to be the general opinion that a liberal interpretation of the law would allow one-third of the funds to be invested in such a way as to encourage and promote arrangements for the amelioration of the condition of the laboring classes; such, for example, as the taking of mortages upon workingmen's houses, the buying of land for the erection of such houses, etc. As a complement to these papers the Central Bureau had prepared a very complete exposition of models and plans of workingmen's houses as well as different institutions intended for the mental culture or physical recreation of the laboring classes, of which a few words will be said presently.

The second day of the conference was devoted to the question of the judicious use of Sunday and the other free hours of the laborer. The first paper upon the programme was that of Professor Böhmert, of Dresden, upon the question of

"Recreation of the Workingman Outside of the Home." His remarks, which were a commentary upon the printed article already in the hands of the members present, commenced with a reference to the new Prussian Sunday Labor Law, limiting the hours of labor. This limitation he would wish to see further extended. To him the labor question is more of an "*educational than a stomach problem.*" That the best recreation and recuperation is to be found in the bosom of the family is not to be denied, but unfortunately so many laborers lack a real home that one must endeavor to find for him recreation outside of the family. Furthermore, it should be the object of benevolent men not so much to increase the opportunities for amusements, as, above all, to ennoble those already at the disposal of the laborer. The speaker then proceeded to give an account of the results of an inquiry made by himself into this question by means of question-sheets sent to fifty-one large industrial establishments. The opinions given were widely divergent. In his conclusions Professor Böhmert lays special weight upon the independence of the laborer in his recreations, and the advisability of the employer taking part in them as much as possible. He furthermore advocates *fêtes* in which politics and religion play no part whatever. At the close of his address Professor Böhmert expresses the hope that the exposition of the plans and models of social arrangements will remain a permanent one and that an association of employers will be founded to do everything in their power to further the interests of their laborers. The second speaker of the day was Herr Hitze, deputy to the Landtag and Reichstag. He limited himself to the question of the recreation of the laborer in the family. His main argument was for the material and moral purification of family life as the highest object of every social reform. Several reforms are advocated, for which, however, the conditions *sine qua non* are, a healthful dwelling, a thrifty housewife, the proper care and education of the children.

Herr Zander treated "Recreation Outside of the Family."

One of the main objects of popular amusement he claimed to consist in a diminution of the contrasts between the different classes of society, through co-operation of the better situated. Deputy v. Schenckendorff dealt with "Popular Games;" Herr M. Eners with "Popular Amusements." Pastor Kanzow describes the efforts made by the famous Bolle Dairy in Berlin to provide for the recreation of their employees.

During the course of the proceedings of the second day the Minister of the Interior, v. Berlepsch, defined the position of the Central Bureau as it was regarded by the Government. The Prussian Ministry, said he, looks upon the Central Bureau as a purely private institution, but adds that had not private initiative called it into existence the government would undoubtedly have taken this step. In no sphere of social reform is private initiative so healthful and efficient as just here; as a State institution it would have remained nothing more than a statistical bureau. As a union of different associations, however, it can become an important factor in social reform. That two delegates of the government are members of the executive organ of the Central Bureau is explained by the fact that the State is the greatest employer in Germany.

In the evening an excursion was made by the members of the conference to Bolle's Dairy, where an entertainment, very popular in its nature, had been arranged so as to give the visitors an idea of the success which this philanthropic employer has obtained in the education and recreation of his 300 employees and their families.

Before closing our description of the conference, we wish to add a few words concerning the exposition of devices for the promotion of the welfare of the working classes which was arranged in the building where the conference took place. The greater part of the exposition was devoted to plans and models of workingmen's houses. The interesting part of this experiment is that the collection will probably form the nucleus of a permanent exposition. This is all the

more important for Prussia since the State itself is a great industrial employer. The exposition will be a means of bringing before the public the efforts made by the different administrators to ameliorate the condition of their respective laborers. In this way a very healthful influence can be exerted upon the industrial world, especially upon German employers. Of very great interest are the exhibits of the Navy Department, the Department of Public Works, and the Department of War. Models of dwellings, of amusement halls, of gardens, etc., show how much has been done by the Prussian State for laborers under its immediate charge. The plans and models exhibited by Krupp of Essen, also deserve special mention.

The Central Bureau for the Promotion of Institutions for the Welfare of the Working Classes has commenced the publication of a "*Correspondence*" which appears the 15th of each month as the organ of the Bureau. It contains descriptions of experiments and results in this field of work.

This institution is only one of the symptoms of the extraordinary activity of the State as well as of certain circles of employers in the study of the social problems and the attempts to solve some of them. If all the expectations of its founders are realized, the Central Bureau will undoubtedly become a centre around which all those earnestly interested in social work and reform will group themselves.

LEO S. ROWE.

Berlin, May, 1892.

THE ORIGIN AND GROWTH OF TAXATION IN JAPAN.*

The history of taxation in Japan can be traced as far back as two or three centuries before Christ. Like all primitive peoples, the Japanese lived in earlier ages by hunting and fishing, without regular government; but with the introduction of agriculture came the payment of a kind of tax. Nearly all the people being farmers, and believing that all of the land was a possession of the Mikado, they were accustomed to offer him yearly a certain part of their products. This voluntary contribution becoming in time customary and then compulsory was the origin of taxation in Japan.

Soon after the land tax the labor tax came into existence, under which the people were compelled to labor a certain time each year in making canals, roads and drains for agricultural purposes.

In the first part of the third century A. D., when Mikado Nintoku ascended the throne, the people were growing poor and wretched from the effects of the very heavy land and labor taxes which had been levied by the preceding Mikados. He ordered therefore that the people should be exempt from the land and the labor taxes for the period of three years; hoping by this means to place them in a prosperous condition. Ancient historians praise this act as one of the ablest of his reign.

Mikado Kotoku in 646 A. D. first laid the foundation of systematic taxation. Until this time it can hardly be said that a regular system of taxation existed. The rice fields were accurately measured, and their productiveness estimated. It was found that on the average a cho (2½ acres) would produce 2500 sho† of rice and accordingly 110 sho

* In spite of its brevity this sketch will suggest to the student of European institutions many significant analogies between the Feudal system as it developed in Japan and in Western Europe.—THE EDITORS.

† A measure, either dry or liquid, equal to ten "go," or 109.375 cu. in. about 1 qt. 1 pt. 3 cz. 1 dr. of imperial measure.

was fixed as the amount that should be collected as a tax. Two tans (the fifth of a cho) were assigned to each male, and two-thirds of the same to each female, and an actual enumeration was to be taken every sixth year.

Ten days' labor tax was annually imposed upon every person between the ages of sixteen and sixty. This tax might be commuted by a payment of twenty feet of linen, two feet being thought equivalent to one day's labor. Besides this, a tax of ten feet of silk, twenty feet of pongee, or forty feet of linen, according to the productivity of the soil, was paid for every cho of rice land. Moreover, a house tax was imposed in the reign of Mikado Kotoku. When the medium of exchange consisted of grain, silk or linen, a tax of twelve feet of linen for example, was paid for every house.

Soon after this period commercial communication sprang up between China and Japan and grew rapidly, bringing Chinese civilization into Japan. Chinese ideas influenced law, literature, religion, and industry, and no doubt the Japanese government adopted Chinese ideas in their system of taxation. The rice fields which belonged to private owners were divided into nine equal parts, and the product of the middle part was paid to the government as a land tax, the remainder going to the owner. This was called the Seiden system, and was borrowed from the Chinese without much modification.

It is said that in 723 A. D. ample rice fields were created by draining lands through recourse to the labor tax; and that although the rate of land tax was then fixed at five per cent. of the product, this rate was often reduced during civil wars, famines, and floods. One historian says that there is an instance in which the land tax was even suspended for ten years. However, after a few years, government officials began to oppress the people by exacting as heavy a tax as the people could bear.

At an earlier time it was customary to donate land to the church; but this custom was abolished in the eighth century

in order to increase national taxation, for church property was exempt from taxation. A custom of donating lands to colleges and universities in order to avoid taxes also existed, as such lands were of course free from taxes.

From an early time the Mikado's government was accustomed also to give uncultivated lands to court nobles, which lands were not subject to taxation. In these ways nearly all of the rich and fertile land came into the possession of feudal clans or churches, under the name of Soen. As a consequence, the Mikado's government could not obtain sufficient revenue and at last became much embarrassed thereby. To remedy these evils, in 1186 Shogun Yoritomo appointed a representative from each of the sixty-six provinces, and also selected one chief in each Soen to collect taxes and arrest conspirators and robbers. At first he supported the army by collecting an extra tax of five sho per tan, but this was too heavy a tax for his people to bear and the scheme was soon abandoned.

The Hojo family succeeded to the Shogunate government of the Yoritomo family. They modified the system of land tax to some extent and authorized the transfer and sale of all land except the government's possessions.

In the first decade of the fifteenth century, the Ashikaga family succeeded the Hojo in the Shogunate government. At the beginning of the reign a land tax of two per cent. was levied which was soon raised to five per cent. It will be remembered that Hojo and Ashikaga were *de facto* sovereigns, and that the Mikados were *de jure* sovereigns since the founding of the Shogunate government by Yoritomo.

The middle period of the Ashikaga reign witnessed bloody civil wars. The tax imposed by the government increased year by year, until, finally, it is said that it became so oppressive that farmers deserted their cultivated lands and left them to become waste territory. In addition to this tax expensive and luxurious works were undertaken and heavy loans were exacted from the wealthier merchants. This compulsory levy, it is said, was made twelve times a

year, or even eight or nine times a month in emergencies.

During this time the most wonderful proclamations of which we have ever heard were issued. By these proclamations all debtors were made free from their obligations and mortgaged lands were returned to their original owners without compensation. This was thought to be the means by which the rich and poor could be equalized.

Soon after Toiko took control of the Shogunate government, in the first decade of the sixteenth century, he sent unnecessary filibustering expeditions against Corea. He built Osaka Castle, the largest and most extensive work of its kind in Japan; but being unable to find the means to defray these heavy expenditures, he modified the system of land tax to meet his wants. He diminished the tan from 360 to 300 ho, while he exacted the same amount of tax from the new tan as from the old. In a word he increased the land tax by one-sixth. It is said that during his reign the land tax amounted to 60 or 70 per cent. of its product. It must have been the heaviest tax imposed on any peasantry in the world.

During the three hundred years of the peaceful era of the Tokugawa line of the Shogunate government, the taxes were generally lightened; but a feudal system was in full force and extensive feudal estates were owned by the feudal nobility, called Daimios. These Daimios were scattered throughout Japan and each was supreme within his own limits. Each could even issue an unlimited amount of paper currency and cause it to circulate within his kingdom and perform other like acts which are strictly sovereign prerogatives. Thus the time and manner of payment and the amount to be paid differed astonishingly in the different territories. Even in the immediate territories of the Shogunate the system of taxation was not uniform.

Besides the land included within the territory of each of the Daimios, there were lands belonging to the imperial family, lands held by the Shogun, lands in possession of the Hatamoto (a small feudal aristocracy forming a

distinct class created by the Tokugama Shoguns, and holding petty fiefs from them), lands in possession of the Shinto and Buddhist religious establishments and lands received by individuals from the government in return for meritorious service. The above distinctions existed in the ownership of land, and occupants might hold land therefore from a territorial noble, from the Mikado, from the Shogun government, from a Hatamoto, from a Shinto or a Buddhist establishment, or from any large proprietor who was a grantee of land from the government. It may be inferred from a consideration of this state of things that the people who occupied the lands were simply tenants; but while they were tenants in fact, they were landlords in name, each in respect to his particular piece of land.

Very extensive proprietary rights, though falling short of complete ownership, were enjoyed by different classes and were distinguished as lands in the town and lands in the country.

The holdings were again distinguished with reference to the kind of title, as:

1. Holdings occupied by the military class which were exempt from taxation and held no title deeds.

2. Town land, as it was called, which meant land held by merchants and citizens who paid taxes and held title deeds.

The country holdings comprised nearly all the land under cultivation, occupied by the large class of agriculturists who were on the same footing with merchants and citizens with regard to taxes and title deeds. There was, indeed, a numerous class of smaller agriculturists who were in no sense of the word proprietors, but who were tillers of land rented from a higher class of farmers or from the real owners.

The land occupied by the military class was held under the peculiar conditions attaching to military service then existing in Japan; and the position of these agriculturists differed in some respects from that of the tax-paying class who occupied town holdings. But the proprietary rights in each

case were much the same. Holdings descended from father to son, in accordance with the law of primogeniture, the effects of which were sensibly modified by the law of adoption peculiar to the country. In case of failure of direct heirs, the right of sub-letting, subject to the approval of the real owner, was acknowledged and fully exercised. Fixity of tenure was virtually assured. But though the tenant was practically free from disturbance in his possession, and had a tenure good as against all other people he possessed only a modified tenure as against the real owner. The latter reserved to himself the right—though it is believed to have been seldom exercised—of re-entering upon the land at will. In such cases of disturbance, the occupant received some sort of compensation, usually in the grant of other land in the vicinity, generally that of an inferior quality.

There were other restrictions. The agriculturalist could not combine the profession of merchant with that of farmer. Farmers, merchants and citizens were alike precluded from entering into any transaction in regard to land occupied by the military class, and a reciprocal prohibition between the military and industrial classes is due, no doubt, to the fact that land assigned to the military class was exempt from taxation, while land held by the other classes was not.

It is clear, therefore, that the holders of land in Japan during the Tokugawa Shogunate possessed very extensive proprietary rights in regard to their holdings, limited by the restrictions above-mentioned. But it must be remembered that under the feudal system, the occupants of land belonging to the territorial nobility were virtually at the mercy of their landlords.

In 1868, the Shogun was defeated after a short war, and the Mikado came into power. He was now the *de facto* as well as the *de jure* head of the Japanese government. The four great Daimios who were most prominent and influential in bringing about the revolution and most powerful in supporting the cause of the Mikado proved themselves fully equal to the occasion, and when the abolition of the office of

Shogun was declared, these four Daimios united in surrendering all of their territorial and feudal privileges to the Mikado. All powers, both civil and military, which the Mikado had lost since the twelfth century, returned again to his hands.

The doctrine was established that the title to all of the land embraced within the Empire of Japan was vested in the Mikado, and it was admitted that he had been illegally divested of it.

An important act, published in March, 1868, rendered liable to taxation all land held in grant from the government; and in the autumn of the same year the restrictions that have been mentioned as to business transactions between certain classes were removed. In 1871 every restriction was cleared away. Other regulations followed in rapid succession, each successively being further removed from the principles of feudalism against which they were aimed, each also being pervaded by equity and justice.

Among the most important laws promulgated at this time was one requiring the government to compensate individuals for land whenever taken from them for public purposes, and fixing the rate of compensation according to the value entered in the title deed.

By the beginning of the year 1872, the government had so legislated that the position of all holding land was clearly defined and there existed no longer any doubt as to the extent of the privileges enjoyed by those in possession of land.

In 1873, the great reform of the land-tax commenced and at the same time more than a thousand kinds of miscellaneous taxes were abolished which had been levied during the feudal period. From this time the whole people have been brought under a uniform law of taxation.

TAKEKUMA OKADA.

Tokio, Japan.

PERSONAL NOTES.

AMERICA.

Haverford College.—Dr. William Draper Lewis has accepted the position of Instructor in Political Economy at Haverford College, Pa. Mr. Lewis graduated from this institution in 1888, and is now twenty-five years of age. In 1891 he received the degree of Doctor of Philosophy from the University of Pennsylvania. His thesis, recently published in book form, is entitled "Our Sheep and the Tariff."

Last year Dr. Lewis graduated from the Law Department of the University of Pennsylvania, and is now engaged, and expects to continue, in the active practice of law. He edits, with Mr. George Wharton Pepper, *The American Law Register and Review.* Dr. Lewis has just published a work entitled "The Federal Power over Commerce, and its Effect on State Action." He is also the author of the article on "Protection" in the new edition of Chambers' Encyclopædia.

Knox College.—Mr. John H. Finley, who has been elected President of Knox College, Galesburg, Illinois, as successor to Dr. Bateman, was born in Illinois in 1864. He graduated from Knox College in 1887, and entered immediately upon post-graduate studies in the Department of Political and Economic Science at Johns Hopkins University. While there Mr. Finley was associated with Professor Ely in the preparation of the work known as "Taxation in American States and Cities," which appeared in 1889. Early in 1889 Mr. Finley left the University to accept the Secretaryship of the State Charities Aid Association of New York. He is now the editor of the official organ of this association as well as of the recently established *Charities Review.* Mr.

Finley will continue for the present at least to conduct the editorial department of the Review.

The People's Institute (Milwaukee, Wis.).—The foundation for the promotion of popular education, known as the People's Institute of Milwaukee, has secured Mr. Fred W. Spiers as its director. Mr. Spiers is a graduate of the Worcester (Mass.) Polytechnic Institute (1888). After two years of post-graduate work in history and economics, at Johns Hopkins University, Mr. Spiers received an appointment to the Chair of History and Political Science in the State University of South Dakota. During the past year he has, however, been in residence at Johns Hopkins again. He recently declined, in favor of the Superintendency at Milwaukee, a proffered position as Secretary of the New York Charities Aid Association, left vacant by the resignation of Mr. John H. Finley.

Swarthmore College.—Mr. William J. Hull, a candidate for the degree of Doctor of Philosophy at Johns Hopkins University, has been elected as Associate Professor to the newly-established Chair of Political and Social Science at Swarthmore College.

Mr. Hull was born in Baltimore and received his bachelor's degree from Johns Hopkins University in 1889, and after a year of graduate study in history, political economy and jurisprudence he spent eight months in Berlin, where he continued his work in these subjects. The title of Mr. Hull's thesis, published in 1891, by the Maryland Historical society is "Maryland, Independence and the Confederation."

University of Chicago.—Dr. Edward W. Bemis, Adjunct Professor in charge of History and Economics at Vanderbilt University, has been appointed Associate Professor of Economics in the University Extension Faculty of the University of Chicago. Dr. Bemis was born at Springfield, Mass., in 1860. He graduated from Amherst College in 1880, receiv-

ing the class honors in History and Political Economy. In 1885 he took the degree of Doctor of Philosophy at Johns Hopkins University, having meanwhile spent two years in the West, part of the time as an editorial writer on the St. Paul *Pioneer Press*, later as principal of one of the Minneapolis schools.

During the winters 1887-88 and '88-89 he conducted courses in University Extension in Buffalo, St. Louis and other cities.

In 1889 Dr. Bemis took charge of the department of History and Economics at Vanderbilt, which position he has held up to the present time.

In 1886 at Springfield, Mass., and in 1887 at Buffalo, N. Y. he organized the first two branches of the American Economic Association. During the past winter he has given, in connection with Vanderbilt University, University Extension courses in Nashville and Evansville, Ind.; Louisville, Frankfort, Lexington and Bowling Green, Ky. At the University of Chicago Dr. Bemis will devote a large part of his time to University Extension work in and about Chicago, but will also lecture to graduate students in the University. He is the author of several monographs and has contributed extensively to various publications in this country. Among his writings may be mentioned:

"Municipal Ownership of Gas in the United States," American Economic Association, Vol. VI, Nos. 4 and 5.

"Co-operation in New England and the Middle States," Parts I, II and III of History of Co-operation in the United States, Johns Hopkins University Press.

"Local Government in Michigan and the Northwest," Vol. I, No. 4 Johns Hopkins University Studies.

"Mine Labor in the Hocking Valley," Vol. III, No. 3 American Economic Association.

"The Relation of Trades-Unions to Apprentices," *Quarterly Journal of Economics*, October, 1891.

"Benefit Features of American Trades-Unions," *Political Science Quarterly*, June, 1887.

"Insurance of American Workingmen." *Handwörterbuch der Staatswissenschaften*, Germany.

University of Wisconsin.—Frederick Jackson Turner, Professor of American History in the University of Wisconsin, was born November 14, 1861, at Portage, Wisconsin. He graduated from the University of Wisconsin in 1884 with the degree of A. B., and received his A. M. from the same institution in 1888. The year after his graduation he spent in newspaper correspondence. In the spring of 1885, he took charge of the history classes of Professor W. F. Allen during the absence of the latter in Europe. The succeeding year he was made Instructor in Oratory at the University of Wisconsin, and the two following years he was Instructor in Oratory and History, at the same time pursuing his historical studies under Professor Allen's general direction. The year 1888-9 he spent in the department of History and Politics at Johns Hopkins University, receiving the degree of Ph. D. from that institution in 1890, his thesis being, "The Character and Influence of the Indian Trade in Wisconsin," published in the Johns Hopkins Studies. In the fall of 1889 he became Assistant Professor of American History at the University of Wisconsin. Professor Allen died in December of that year, and in the spring of 1891, Professor Turner was made Professor of History. This title was changed to Professor of American History in the spring of 1892.

Mr. David Kinley who has accepted the position of Assistant in Economics in the University of Wisconsin was born in 1861 and graduated from Yale University in 1884. After graduation he became principal of a High School in Massachusetts, a position he retained until he determined to resume his studies in Economics at Johns Hopkins University. During the past year he has been Instructor in History and assistant in Political Economy in that institution, as well as Professor of Social Science in the Woman's College of Baltimore.

Western Reserve University.—Henry Bourne was elected Professor of History and Instructor in Philosophy in

the Cleveland College for Women at the annual meeting of the trustees of Western Reserve University in March. He was born in 1862. After his graduation from Yale, in 1883, he was for one year Principal of the Thomaston (Conn.) High School. He then entered the Yale Divinity School, where he devoted himself to special historical work under Professor George P. Fisher, continuing his studies after graduation. In 1888 he became an assistant editor of the *Congregationalist*, Boston; but deciding upon teaching as his profession, he accepted a position in the Norwich, (Conn.) Free Academy, where he has taught History and Philosophy and organized a system of Academy Extension, designed to provide instructive and interesting lectures by the Academy teachers for the working classes in the neighboring factory villages. Professor Bourne has contributed to *The Nation*, *The New Englander* and other periodicals, and written largely for *The Congregationalist*, on the social and political question of the day.

HOLLAND.

Groningen.—The vacancy in the Chair of Political Economy in the removal of Professor Cort van den Linden to Amsterdam has been filled by the election of Dr. W. A. Reiger, who delivered his inaugural lecture in September last. Dr. Reiger took his degree of Doctor Juris Utriusque at Groningen in 1865. In that year he published a dissertation on the principles of international law relating to vessels, and in 1867 a "Commentatio de Alberico Gentili, Grotio ad condendam juris gentium disciplinam, viam præpræeunto." He has been a frequent contributor to the periodical press.

BOOK REVIEWS.

RECENT BOOKS RELATING TO THE SILVER QUESTION.

THE QUESTION OF SILVER. By LOUIS R. EHRICH, of Colorado. Pp. 115. New York. G. P. Putnam's Sons, 1892.

MONEY, SILVER, AND FINANCE. By J. HOWARD COWPERTHWAIT. Pp. VIII. 242. New York. G. P. Putnam's Sons, 1892.

THE MONETARY QUESTION. By G. M. BOISSEVAIN. An essay which obtained the prize offered by Sir H. M. Meysey-Thompson, Bart., at the Paris Monetary Congress of 1889. Translated from the French by G. TOWNSEND WARNER. Pp. X. 152. London. Macmillan & Co., 1891.

SILVER IN EUROPE. By S. DANA HORTON. Pp. XII. 290. New York. Macmillan & Co., 1890.

The bimetallic controversy, known as the battle of the standards, still continues in the field of economic discussion. At the same time the demand for the free coinage of silver in the United States is as strong as ever in the political field. To separate the two is consequently difficult for the average reader. That they are clearly to be distinguished, however, is evident to every careful student of economic science. "Silver enthusiasts really believe," says Mr. Ehrich, "and want sane men to believe, that the magic of free coinage is quickly going to wipe out the present difference of 27 cents [now 32] between the silver and the gold dollar." "But" Mr. Ehrich continues—and it ought to be noted that he is from Colorado—"*it is impossible.* Free coinage must be followed by the immediate disappearance of gold" (p. 27). "There is on our planet, in round figures, three billion nine hundred million dollars worth of silver held as money or as a fund for money redemption. . . . Free-silver men tell us that the magical alchemy of free coinage by the United States all alone is going to raise these thirty-nine hundred

millions from 95 [now 87] cents to $1.29 [per ounce] (p. 86).

If the demand for silver dollars is gratified, the author holds we shall have only silver dollars much as the demand for gold coin in 1834, when satisfied by legislation, gave us only gold coin and that "free coinage" is to-day synonymous with silver monometalism. In view of the radical divergence of opinion on the possible effects of the free coinage of silver, it is necessary to proceed carefully, keeping quite distinct the internal policy of the United States on the one hand and the principles which underlie an international regulation of the world's money on the other.

The world may be interested in our monetary experiments but the money of the world is not regulated by act of Congress. Congress cannot give the world a bimetallic money if the world does not want it. But does the world want it? This question is not easily answered. Just as it is difficult for the average reader to distinguish between the legal and the commercial definitions of bimetallism, so it is next to impossible to separate the decline in prices due to changed industrial conditions and methods, from the decline due to the increased value of money. It is practically impossible for the most expert statistician to separate them, and thus measure the possible advantage of bimetallism in the money of the world. Mr. David A. Wells in a series of articles published under the title "Recent Economic Changes" has attempted to defend the thesis that the fall in prices since 1873 is not due in the least to an appreciation in the value of money. He holds that the decline, such as it is, is amply accounted for by man's increased control over the productive forces of nature. He examines the history of the production of a large number of articles—wool, cotton, iron, coal, wheat, etc., and finds reasons for the lower prices of most of them in the changed conditions of production, while those whose conditions of production have not changed have not fallen in price. But his facts are questioned, his methods criticised and his conclusions doubted. Indeed a book has recently been published and is

being distributed "as a contribution to the cause of bimetallism," which defends exactly the opposite thesis. The intention of this work "is merely to show that the general range of prices has been largely controlled by the increase in, or the diminution of, the output of the money metals from the mines."*

The difficulty lies in the absence of a perfect measure. Shall the basis of comparison be wholesale or retail prices? Chicago prices, Liverpool prices, or Calcutta prices? Are "average" prices daily, weekly, monthly, or yearly averages? What are included in "the general range?" Staple articles only? Real estate? Wages? Luxuries? Freight rates? Shall we take an English, a German, or an American "index number"?

The mention of these two difficulties—the confusion in regard to "free coinage" in the United States, and that relating to the "general range" of prices—shows how unsatisfactory must be the discussion which attempts to rely on facts and figures. There is a goodly body of undeniable facts which are frequently ignored or forgotten in the discussion, but there is a practical advantage to be derived from studiously avoiding doubtful figures and speculative estimates. Writers are fully justified in considering only the economic principles involved, provided the analysis is complete, and the logic sound. But, is the analysis complete, and the logic sound which, for instance, underlies the volume-of-money theory, and the plea for legislation to increase the circulation? Mr. Cowperthwait, a business man, maintains (p. 183) that "the theory that variations in prices and in industrial activities are due often or generally to variations in the volume of money, is so persistent that the hourly, daily, weekly, and yearly denial of this theory by the movements of prices, on the floor of every commercial or stock exchange in the world, does not suffice for a complete overthrow." "During the past twenty years or so," he says, "the prices of commodities in this country have fallen to the extent of

*"The Economic Crisis." By Moreton Frewen. Pp. XVI. 194. London: Kegan Paul, Trench & Co.

an average of about 30 per cent., . . . but . . . . there has been an increase in the volume of money in circulation, to the extent of about 94 per cent., being an increase *per capita* of population of about 20 per cent."—"Good proof," says the bimetallist, "that the volume of money should have been much more largely increased,—a fall of 30 per cent. in prices, in spite of a 20 per cent. *per capita* increase in circulation!" "But," adds Mr. Cowperthwait, "there have been a fall in the average rate of interest, an advance in the average rate of wages, an advance in rents, and an advance in the price of real estate." (p. 185.)

"Business may be unsatisfactory, or the reverse; the rates of interest, at financial centres, may vary between 1 per cent. a day and 1 per cent. a year; prices and wages, or either of them, may be high or low, and we can assert that, within reasonable limits, any state of affairs may exist, co-incident with a large or small amount of money." (pp. 194–95.) Which is the correct analysis? Does the logic of the situation demand free coinage of silver with full legal tender, or may a congressman be perfectly certain that a sufficient volume will be supplied under the "automatic action of the laws of trade?"

Again, is the analysis complete which says that the unit of value is a creature of law, or that the measure of value, the monetary yard-stick, is purely conventional?

Money is used to buy goods and to pay debts. The law prescribes what citizens *may* take in the first case, and what they *must* take in the second. For buying goods, now one commodity, now another, is *convenient*. A government may or may not supply as good money at any particular time as is offered by private enterprise and individual initiative. But, for paying debts, the government exercises its power to command. *Debtors must pay, creditors must receive legal tender*, though that be a depreciated promissory note. A question of justice is thus involved,—a question which completely baffles the scales of the blindfolded goddess. The members of a community measure the value of goods in a rough-and-ready way, in terms of the most common article—

sheep and cattle; kauri shells; metals, coined and uncoined. As commerce develops, the unit or standard becomes fixed, as does the unit of weight, or length, etc. The practical question for business men and for legislators alike, is: How can this measure be made unchangeable?

This raises a third point of dispute. It relates to the cost of production of the precious metals, they having come to be used as the money of the civilized world. Is the value determined by the cost of production, or is the cost of production and the margin of cultivation determined by the value, or are each determined by unconnected causes? Monometalists, whether silver or gold monometalists, have regarded bimetalism as unscientific, absurd, impossible. Economists have held that the price of the precious metals was determined by the cost of mining that portion of the supply produced at the greatest disadvantage. That, as a consequence, whichever of two metals was undervalued in the coinage laws of any country would not be produced there for minting purposes. With changes in the cost of production of the two metals would come changes in the currency of the country and the world. But, say the bimetalists, if the mints of the world are all open to the free coinage of both metals at a given ratio, the currency of the world will at once absorb any surplus of either metal and maintain a fixed ratio by determining in part the margin of cultivation or the kind of mine which shall be worked. Moreton Frewen, in his articles written for the (India) *Pioneer* goes further and maintains that the world's outlay in producing gold and silver is greater than the money value of the two metals produced. "It may seem at first sight incredible that humanity should in these philosophic days continue to produce gold and silver at a loss; but the life of the gold-seeker is a life often of intense excitement; the attraction is that of the gambling table intensified; the blanks are indeed many, but the prizes though few are very valuable. The hundred lose all they possess, and perhaps an entire life's work, but the one becomes a millionaire." (p. 93.)

The problem is thus one for the psychologist, as well as the economist and geologist, to answer.

If it be true then that the surplus could be regularly and indefinitely absorbed, or that cost of production does not determine the value of gold and silver, a bimetallic agreement among the nations of the world to maintain a fixed ratio is perfectly practicable. The union is only a question of expediency and interest. Part of the world now use gold as the basis of currency, with some subsidiary silver; another part uses only silver as currency or a basis for currency. Is it expedient for all to agree to use either interchangeably at a fixed ratio? Will the fluctuations of the monetary unit in gold using and silver using countries alike be less frequent? If more frequent will they be less extreme and more gradual, or less so? Which kind of variation is least pernicious to industry? Is it alike for the interest of the highly developed and of the industrially backward country to have an invariable par of exchange? Are the interests of debtors and creditors at variance in this instance?

These are the questions to which Mr. Boissevain attempts to give an answer, but with only very limited success. His treatment of the subject is neither systematic nor exhaustive. It is not conclusive at any point. The author believes that the bimetallic system really rests on a scientific basis; but a chapter of twenty pages fails to reveal that basis. He thinks this bimetallic scheme "the only system by which it is possible to obtain monetary unity in the commercial world," and that "monetary unity is a condition of economic progress and development;" but he is very despondent as to the possibility of securing international agreement, though he nowhere states the hindrances to be overcome. He is convinced that this monetary system including (1) Free and gratuitous coinage and (2) A bimetallic monetary unit will ensure "the stability of the value of money so far as that can be attained;" but does not explain why and how it will do this "in the best and most certain manner." He

is fully convinced that an international agreement can only exist on the footing of the ratio of 1 to 15½, the old legal ratio of France and of the Latin Union, or else 1 to 16, the legal ratio of America. But if 1 to 15½ or 1 to 16, why not 1 to 15 or 1 to 16½? This and other equally important problems in the situation are left unsolved. Mr. Boissevain may write with the conviction of an ardent bimetalist, but it can hardly be said that he writes with judgment.

The reverse is true, as was to have been expected, of Mr. S. Dana Horton's latest contribution to the literature of bimetalism. Scholarly in style, it is both systematic and exhaustive in the treatment of the problem. It is prepared with greatest care and displays the wise judgment of the author. His theme is the movement for the general restoration of silver to a legal equality with gold, and he presents exactly those facts and phases of the subject which the American reader most needs and is least likely to get in popular discussions of the silver question. The work is historical, and deals with the recent Paris Congress (1889) and the work of the Royal (English) Commission on Gold and Silver. It thus emphasizes the broad lines on which the solution of the monetary problem must rest.

Gold and silver are the world's money metals. If a single nation would use both it must do so subject to the conditions of the world's market. So soon as its mint ratio differs appreciably from the market rate of the two metals the undervalued metal only will be brought to the mint for coinage. The result is as inevitable as it is that water will run down hill. And it would appear that the United States has not only made a very poor investment under the law of 1890, but that it is growing increasingly worse as time goes on—that we are reaping the disadvantages without any of the advantages of free coinage of silver. Such a lucid statement of the laws of trade, the condition of foreign exchange, and the principles of business as is made by Mr. Cowperthwait in the book in question would seem to warrant

his conclusion that we should "reverse the silver policy; stop buying and commence selling."

It is said by the advocates of free silver that we have not money enough, and the argument always appeals to the individual. Who ever had money enough? A few more dollars for the same expenditure of time and energy, or as a gift, are always acceptable. But no one expects to give away silver to be coined, nor is it clear that dollars would be cheaper to those who earn their bread by the sweat of their brow. "The greatest creditor class and the one which will suffer most from free and unlimited silver coinage is the labor class—the miner, the servant, the mechanic. Every man who works for wages is a creditor in the evening, at the end of the week, or at the end of the month. He will be the last to discover how a depreciated dollar defrauds him, and that he is daily meeting a loss by its decreased purchasing power." (Ehrich p. 31.) Dollars would be cheaper under free coinage by the extent that the price of silver was less than $1.29 per ounce, just as they would be if Congress passed an act making 20 grains of gold legal tender for one dollar, but everything else would be dearer. Prices would rise. This is decidedly in the interest of present debtors, railroad corporations included, but it is hardly in the permanent interest of debtors. "If you want to pay a debt with a liberal discount, and expect to die soon thereafter so as to escape the other disagreeable incidents of general business collapse, then you want free and unlimited silver coinage." (p. 108.)

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THE RATES QUESTION IN RECENT RAILROAD LITERATURE.

RAILWAY RATES AND GOVERNMENT CONTROL. ECONOMIC QUESTIONS SURROUNDING THESE SUBJECTS. By MARSHALL M. KIRKMAN. Pp. 354, Chicago and New York. Rand, McNally & Co., 1892.

THE RAILWAY PROBLEM, with many illustrative diagrams. By A. B. STICKNEY. Pp. VII. 249, St. Paul, Minn., D. D. Merrill Company, 1891.

THE RAILWAYS AND THE TRADERS, a sketch of the Railway Rates Question in Theory and Practice. By W. M. ACWORTH. Pp. VIII. 378, London. John Murray, 1891.

THE RAILWAYS OF ENGLAND, Fourth Edition, Pp. XVI. 427. 1890. Same author and publisher.

THE RAILWAYS OF SCOTLAND, Pp. VIII. 191, 1890. Same author and publisher.

THE WORKING AND MANAGEMENT OF AN ENGLISH RAILWAY. By GEORGE FINDLAY. Fourth Edition, Pp. VIII. 354. London. Whittaker & Co. Also George Bell & Sons, 1891.

The literary battle over the railroad problem goes bravely on. The actual strife of warring railroads is reflected in the conflicting theories of the books. Mr. Kirkman's volume, in its title, presents an important issue of the day; rather, it may be said, two issues, both of which are far from satisfactory settlement. One of these relates to the principles upon which rates are fixed; the other is whether the government or the railroad companies shall have the fixing of the rates. It may be premised that, however each nation may decide upon the latter question, the former cannot be settled until the theory of value receives a thoroughly scientific treatment. The theory of rates is so fundamentally a part of the theory of value, that the form which the latter may ultimately take will be the determining point of the former. Mr. Kirkman has been a prolific writer on railroad topics. He has evidently a wide acquaintance with railway practice and possesses an extensive and detailed knowledge of railway

affairs. He has read and studied widely the literature of the subject, at least the books in English. It is to be regretted that his evident diligence in collecting the materials and his fervor of utterance have not produced a better book. Somewhere in the process of making, the book has been spoiled. One glaring fault is in the temper of it. It contains many venomous thrusts at those who hold different views—particularly at Mr. J. F. Hudson, the author of "The Railways and the Republic." Another fault is that it contains nothing new, both facts and theories having been stated repeatedly by others. Mr. Kirkman praises the railroads with fanatic zeal. Their methods, their practices, their aims, their achievements are all righteous and beneficent. He will hear no criticism adverse to them. He even regards as sentiment, entailing too much cost, the safeguards of English law as to protection to life at crossings, stations, etc. Governments that fix rates, while they "pose as public benefactors, ought to be branded as asses" (p. 89). His style is terse and nervous—often to excess. His epigrams are sometimes hysterical, and he has "damnable iteration." Especially is this true of certain hackneyed phrases and ideas. For instance, "The commerce of the world adjusts itself according to natural laws" (p. 9). "Trade must be allowed to work out its destiny" (p. 9). "Railroads are governed by what we may term God's natural laws—the laws of trade, universal, adaptable, just" (p. 10). "The business of railways governs itself. It adjusts itself on equitable grounds of the greatest good to the greatest number" (p. 89). These are but random examples.

Discriminations in favor of localities and of individuals are justified. "The action" he claims, "of the railways in connection with the Standard Oil Company was *involuntary*, unavoidable and natural" (p. 21). It was an instance undoubtedly of the action of "God's natural laws." In his advocacy of the railroads and all their works he forgets his devotion to the principle of free competition and justifies pools. On page 109 occurs a beautiful, if somewhat im-

pressionist sketch, of a peaceful, idyllic railroad "pool." And railroad wars "have served to illuminate and clear the sky. While temporarily disturbing values, the harm they have done has been partially offset by the benefits that have flowed from them. They are the outgrowth of a too exuberant life, a superabundant vitality; a plethora of energy, interest and ambition" (p. 131).

In defence of Mr. Kirkman let it be said that his intemperate praise of the railroads is only a natural reaction against the intemperateness of some writers on the other side. It is unfortunate that he has not been able to absorb something of the calm and sober spirit of Professor Hadley and of Mr. Dabney, both of whom he quotes. But his book is neither judicial, like that of Mr. Dabney, nor scientific like that of Professor Hadley.

The first half of Mr. Kirkman's book discusses the basis of railway rates, while the second half treats more especially of the relation of government control to rates. There is also a chapter devoted largely to the Interstate Commerce Law, and another in which a brief résumé is given of the status of railways in various countries. The latter part of the book is more sober and dignified in tone. However, a fatal unscientific mingling of topics runs through all the chapters. His teaching is, in a word, the old doctrine of unqualified *laissez-faire*—as an economic theory, at least fifty years behind the times. It is curious how men still argue that man in running a railroad, if left alone, will act strictly according to natural law; but that man in running a government is someway freed from the operation of that natural law, and can work out all the viciousness that is in him. Why the action of the Interstate Commerce Commission is not as strictly "involuntary, unavoidable and natural," as the action of the railways in contracting with the Standard Oil Company, Mr. Kirkman fails to explain.

But the book is not absolutely wanting in scientific value. The scientific facts, however, are not given proper emphasis. They are smothered with rhetoric. He sees clearly that

the principle of charging what the traffic will bear is the tendency of railroad practice wherever the railroads are left free, and he really argues well at times in support of the justice of such a rule. He shows how a railroad often must make discriminations in order to meet its rivals at competitive points, and yet earn enough to pay its operating expenses and meet its fixed charges. He shows the benefits of pooling arrangements, and advocates legalizing them. He admits that there can be too much railroad construction and is even willing that there should be some form of mild government supervision. But all that is valuable in this book is to be found in far better form elsewhere. It helps his cause, however, in this, that one lays down the volume with a kindlier feeling toward the railroads—the feeling that to have their cause thus championed is punishment enough for their misdeeds.

Mr. Stickney is a practical railroad man, of wide and varied experience. "His experience," he tells us, "has been in the legal, the construction, the operating and the financial departments." He has a plain, direct style, and a modest tone which makes his book pleasant reading. One is impressed likewise with his earnest attempt to be strictly fair in his treatment of all sides. The topical arrangement of his material is without apparent plan. There is a *mélange* of historical information, practical business detail, and discussion of principles. In his discussions he does not always keep distinct the legal and the economic elements. The fundamental question of his whole book is the rates question. Although a railroad manager he does not believe in many of the usual railroad methods. Of discrimination he says, "This discrimination in the matter of rates between different localities and individuals is the point of greatest friction. While it is confessedly building up certain localities and making certain rich men richer, it is slowly and surely sapping the foundations of the prosperity of both the great masses of the people and the railway companies." (p. 6). He calls the low rates at important junctions "discrimina-

tion," not "competition." He believes that such arbitrary power as the fixing of rates, with its attendant results upon trade, should not be left in the hands of private individuals. It is a public function, he contends, and safer in the hands of the government. He has some interesting discussions as to the similarity between railway rates and taxes, but it cannot be said that he adds anything valuable to the theory of rates. The book is one to be commended. It is thoughtful, earnest, with much useful information in it, and especially interesting as showing that all who are interested in railroads do not regard railroad practices as immaculate, nor claim an inalienable right to exemption from government control.

With Mr. Acworth's three books we come again to an essentially one-sided author. In his work on the Railways and the Traders he confesses that he writes from the point of view of the railway interest. These three books together are a justification and glorification of the railways of Great Britain and of the English railway system. The book on the Railways of Scotland is virtually a supplement to the larger work on the Railways of England, and is written in the same vein. The work on the English railways describes in succession the chief railways of England. The author confesses that he has recently been converted from hostility toward the railways to ardent admiration. He consciously describes only their excellencies. He claims that in some of the great systems can be found excellencies surpassing the best that can be found in other countries. His attitude puts one on guard, but his style and method are seductive. The volume on the Railways and the Traders is specially devoted to the rates question. He believes that "the private railway companies of England and the United States have served the public better than the Government railways of the Continent or of our Australian Colonies, and—which is still more to the point—are likely to serve it better in the future."

He argues elsewhere that State interference is certain to

lead to permanent high rates. He can find no good substitute for the present "English system of freedom to private managers to vary their rates within the limit of their statutory maxima, and subject to appeal to a court of law" (p. 113). As to the principle upon which rates shall be fixed he comes to the conclusion that cost of service cannot be ascertained, and if ascertained would not be a guide, that equal mileage is not a logical or just or workable basis for rates, and that "there is nothing to fall back upon but the principle of charging what the traffic will bear" (p. 48). His arguments are more practical than theoretical. English rates are not extortionate, because it cannot be proved either that the railways as monopolists exact more than the normal rate of return on their capital; or that they charge more than is charged elsewhere for the same service. He supports this principle of charging what the traffic will bear by analogies with other transactions, tolls, taxation, professional charges and the like. Mr. Acworth has studied American conditions and gives an interesting chapter on American rates. The reader will be entertained throughout the entire book. The style is lively. There is abundant information, some of it of a chatty character—all of it interesting. But one cannot leave the book feeling satisfied that the rates question has been settled.

Mr. Findlay is by profession a civil engineer and holds the position of General Manager of the London and North-Western Railway. His book is taken up with the consideration of such topics as Rolling Stock, Working of the Trains, Railways as a Means of Defence, etc. The rates question is only incidental to the main subject of the book, and is treated only in a brief descriptive way. His statement of the principle of English rates is interesting. "The rates are governed by the nature and extent of the traffic, the pressure of competition, either by water, by a rival railway route, or by other land carriage; but, above all, the companies have regard to the commercial value of the commodity and the rate it will bear, so as to admit of its being produced

and sold in a competing market with a fair margin of profit." (p. 206). This is an excellent statement of the principle of charging what the traffic will bear. With regard to the relation of the State to railways in England he writes briefly, taking the customary attitude of a railroad official—injured innocence—in presence of any feeling of hostility to railroads. He analyzes the present laws after the methods of a manual, and outlines a plan upon which State purchase would probably have to be carried out, if it should be decided on. The book has no direct economic value. In fact it may be said that so far as the economic aspects of the railway problem are concerned none of these books bring any substantial aid.

What is needed now is a scientific discussion of the question in all its aspects. These books are mainly advocates of special interests. In the most of the discussions on the rates question it is assumed that (to quote Mr. Kirkman) "the commercial interests of a people are indissoluble," that there is such a harmony of interest between different classes of society that if a given policy be proven good for one class it will be good for all. The traders argue that rates favorable to them must be good for the railroads and good for everybody. The railroads assume that rates good for them are good for the traders. The problem is much wider than this. Rates must also be considered from the standpoint of the consumers and of society as a whole. A schedule of rates must be tested from all these points of view before it can be accepted as wise and right. If any one class of interests could be a satisfactory test, it would be those of the consumer rather than of the producer or the transporter. Consumption is fundamental—at once the starting point and the end of economic life. But the test is not complete until the interests of society, as a whole, are kept in view. When thus tested it appears that rates are not justifiable which are not adjusted with reference to developing the productive strength of the people. Society cannot ignore its future development. A society is not prosperous which has no guarantee of future progress in its present

welfare, however splendid and perfect the present may appear. It is here that the doctrine of the harmony of individual interests fails. The principle of free competition logically followed, lays on the competitors no positive duty toward the community. The negative precept, "so use your own as not to injure another's" is the extent of the obligation. Society can expect from unregulated railroads only the pursuit of their own interests. The interest of the railroad is the largest net revenue. To obtain this the railroad undertakes to build up certain localities and industries, thus shaping the future growth of society to the present needs of the railroad. It has been pretty generally decided that protection to infant industries is not a legitimate function of private railroad enterprise. There is one radical difference between the social point of view and every other. Society is immortal, but no other interest is, even corporations die. They are managed in the interest of those who at present constitute them. No railroad corporation would of its own free will adopt a policy involving hard struggle and great risk of failure for fifty years in the hope of realizing at that time a large and permanent good. Benefits maturing only after many years are not the objects of railway enterprise. With society it is otherwise. The continued existence of a corporation is merely legal; but the immortality of society is actual and essential. Society has a duty toward the future which it cannot ignore and cannot delegate. If individuals or corporations follow practices which tend to destroy the potentiality of future growth in the interest of mere immediate good, society as a whole must interfere and resume direction. The neglect of this principle has wasted our forests, prematurely exhausted our land, built countless unnecessary railroads, prevented the growth of new industries, covered our western prairies with bankrupt farmers and built up gigantic private interests which threaten our political stability. A policy which was fitted only to early conditions has been pursued when social growth has rendered such a policy ruinous. In a new country the easiest

way for society to get a much needed improvement, such as a railroad, may be by appealing to the speculative spirit in individuals in a grant of privilege to build the railroad, with the utmost freedom of regulation. But, allowing that such is the best policy for a relatively crude society, the moment that such a grant becomes harmful to society, the grant must be recalled. There is nothing inalienable in a grant to a railway corporation of the right to fix rates. It is a permissive right only. It is claimed by Mr. Kirkman and others that a railway must fix its rates so as to build up business, to develop undeveloped industries and localities. They virtually assume that society has irrevocably delegated to irresponsible private parties the right to determine what industries shall be built up, what particular individuals shall be driven out of business, what localities shall be developed and what ones stunted and ruined. And since the fixing of rates does actually involve such results, it has simply become imperative that society shall resume its sovereignty and regulate rates. The railways affect far more vitally and generally than do other industries, the *future* of society. When built they are permanent. They must be used. The country will be developed along their lines. Their management and rates affect the development of society, not for a few years, but for centuries. Further, they have become the central industry. Their policy dictates in the main the policy of all other industries. It is this which makes the control of railway rates so manifestly a social function. It is the lack of necessary harmony between the *present* interest of individuals and the *permanent* welfare of society which breaks down the principle of unrestrained competition as a general rule.

As to the economic principles upon which rates should be fixed, only certain general rules can be laid down.

1. The benefit of any one industrial class is not a sufficient test. Rates to be justifiable must harmonize, as far as possible, the interests of producers, traders and consumers, as well as railroad interests.

2. Rates must be fixed so as to secure the productive growth of society. Future good must not be sacrificed to present good.

3. The highest price which the consumer will pay for an article constitutes the whole fund which can be distributed between railroad, trader and producer. From this fund railroads are built. From this standpoint the value of railroads and their services are determined.

4. Competition, by bringing into the field more producers, traders and railroads to be maintained, may force the cost to consumers up to this maximum price limit.

5. The permanent line of minimum cost to consumers is fixed by the lowest cost of production, including lowest rate of profit which will tempt new competition.

6. The consumers' interest requires the lowest rates consistent with continued efficiency of the road and continued low cost of production. It is to the consumers' interest that both railroad and producer have a fair profit in order that quality of goods and service may be maintained; but that profits should not be so high as to attract too many competitors.

7. The value of all commodities being determined by their marginal utility to consumers, rates according to what the traffic will bear are the only logical rates under free competition. If transported goods are to compete with goods produced in the consumers' locality, their cost to the consumer can be levelled in the market only upon the principle of charging for transportation what the traffic will bear.

8 and 9. If the present welfare of society alone were considered there could be no objection to this principle. From the standpoint of the future growth of society, however, this principle must be modified, while still remaining the basis of the system.

These are only a few of the conclusions suggested by this analysis of the interests involved in the rate question.

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LE REFERENDUM EN SUISSE par SIMON DEPLOIGE, Avocat, précédé d'une LETTRE SUR LE REFERENDUM EN BELGIQUE par J. VAN DEN HEUVEL, Professeur à l'Université de Louvain, Pp. xxxiv. 190. Bruxelles, Société belge de Librairie. 1892.

The problem, to what extent ought the people to participate directly in legislation has always been one of the most interesting in all the range of political speculation. This question is gaining, moreover, a greater and greater practical significance, especially in Belgium, where, after much discussion, definite action is reported to have been taken looking towards the introduction of the Referendum in that country. The book in hand is therefore particularly timely. Without bias or prejudice, he claims, and after a careful personal investigation of the working of the system in Switzerland and consultation with a number of distinguished Swiss publicists, the author gives us the most complete and satisfactory account of the Referendum which has yet appeared. As an introduction Professor J. van den Heuvel, of the University of Louvain, contributes an admirable "Letter on the Referendum in Belgium." Professor van den Heuvel, while an unqualified opponent of the innovation, still allows us to see between his manifold and convincing arguments against the introduction of the Referendum some of the reasons advanced in justification of the change. The plan proposed involves an amendment to the Constitution by which the King may, upon occasion, consult the people directly. This Royal Referendum, it is claimed by its advocates, will strengthen the position of the King and at the same time lighten his responsibility in the exercise of his right to approve or reject bills presented to him. Although the Constitution vests in the monarch the right to veto bills, choose and dismiss his ministers and dissolve the Parliament, he can practically exercise these rights only on rare occasions, owing to the great responsibility involved. The Referendum or direct consultation of the body of voting citizens would show the King the real sentiment of the nation and so permit him to act with confidence. A natural response to such

an argument is that real power is inseparable from responsibility. The weight of responsibility cannot be lightened without to that extent diminishing the scope for self-determination in the ruler. Doubtless if the theory which makes the King simply an exponent of the opinion of half of the voters plus one, were to be accepted in a monarchical government it would furnish a broad basis for the suggested innovation. In fact the introduction of the Referendum in Belgium could hardly fail to alter in this respect the underlying principles of the Constitution. His own personal judgment on the expediency of a measure (in the formation of which the attitude of the country at large could not but enter as an important factor) would no longer determine the King's conduct. It is hardly conceivable that this result could be obviated. If it were left to the King to decide when to resort to the Referendum, the principle of direct popular interference being recognized, he would be subject to petition and insurrection. If, on the other hand, any other authority were intrusted with the power to demand the Referendum the King would lose his power of veto. Professor van den Heuvel, after pointing out the profound differences between the republican and federal Constitution of Switzerland, conferring only limited powers on the central government, and the monarchical, unitary system of Belgium, with its "Cabinet government," depending upon parliamentary majorities, clearly shows how great a change the introduction of the Referendum would cause in the latter country. It would, he claims, not only destroy the prestige of the King but would demoralize the Parliament and the ministers, and undermine the wholesome influence of party organization. "Even the Swiss," he justly observes, "who in respect to their practical sagacity may be placed in the first rank among the nations of Western Europe, have resorted to the Referendum only in a hesitating and reluctant fashion." And yet the Swiss Federation, both by nature and long tradition, lends itself much more easily to the system in question than Belgium.

The main body of the work by M. Deploige falls naturally into the following chapters: 1. The evolution of Democracy in Switzerland. 2. Legislation by the people under the present system, comprising the "Rights of the People," both in the cantons and the Federation, in respect to the Constitution and ordinary legislation, with a description of the *optional* and the *obligatory* Referendum and the system of *initiation*, by the people. Chapter 3 treats of the results of the system. It contains a table of of the twenty-seven instances in which the Federal Referendum has been resorted to since its introduction in 1874, with a discussion of the more important examples. Finally, a collection of the opinions of a number of prominent writers upon the subject in the Swiss newspapers and periodicals furnishes an excellent review of the whole matter. The views are strangely divergent, the results of the Referendum appearing to have produced no very uniform impression upon the observers. But M. Deploige lays down the general rule that the radicals, although it was they who introduced the Referendum in 1874, now oppose it, while the conservatives, suspicious of it at first, now demand its extension in order to render its exercise the easier (p. 172). Among the jurists and professors there is little accord in the matter. M. Ernest Naville believes that the Plebiscitum has a recognized place in the adoption of constitutions, but in in the case of ordinary legislation the representative system can alone realize the democratic principle in the conditions of modern society. Professor Wuarin, of the University of Geneva, on the other hand, would have no restrictions, but advocates the extension of the Referendum so as to include matters of *administration*, especially matters of finance. This is a field in which the direct action of the people has been hitherto most carefully excluded. Between these extremes are various shades of opinion.

The question of compulsory voting has, owing to the great number of abstentions, been discussed as an important corollary to the general problem. Professor Wuarin

would have voting as strictly enforced as attendance at military drill or the exercise of the functions of jurymen. Blank votes, however, may always be resorted to in order to evade the law, and to many the very demand for compulsory voting shows the weakness of the whole plan of direct interference by the people in legislation.

J. H. R.

LE GOUVERNEMENT DANS LA DEMOCRATIE, par ÉMILE DE LAVELEYE. 2 Vols. Pp. XV., 392 and 472. Paris, 1891.

In the preface to this last important work of the late M. de Laveleye, the author tells us that while he was collecting materials for a book upon Political Economy, Dupont White said to him, "Write rather a book on Politics. There are many, perhaps too many, who are treating Political Economy, but few who are treating Politics." When we consider the number of hours per week that our newspaper and magazine readers spend over political discussions, this remark of Dupont White seems strange; but with all of our writing upon politics, few can be said to treat the subject with any degree of thoroughness or system. Consequently such books as this and the late notable work of Mr. Sidgwick on the "Elements of Politics" are doubly welcome.

The chief matter for regret in connection with such works is that most of our politicians who give their time to the reading and studying of politics in newspapers and in practical life will hardly find the leisure to read these more comprehensive and thorough studies. This work, like that of Mr. Sidgwick, treats of the nature of governments and of human rights, discusses at length the functions of states, and then takes up the various means adopted by civilized governments for performing these functions. Legislatures, their composition and organization; the executive, with his powers and duties and relations to the legislature; political parties, their significance, benefits and evils; the nature of the suffrage, and nearly all of the most important questions of politics are treated fully and impartially.

In a brief review it is impossible to note more than a few of the interesting discussions given, but a word may be said regarding some that lead to conclusions somewhat different from those generally accepted by us or that touch upon topics which in this country are ordinarily not considered political.

To those who are accustomed to listen to the promises of candidates on the eve of election with reference to their intentions toward their constituents, the author's view of the relations of constituents and representatives might seem strange. He thinks that a constituency ought freely to choose the man most capable of making good laws and of governing well of those who in a general way represent their point of view in politics, and that then the constituents should stand by their representative without trying to impose upon him their wishes; such an opinion as this merits careful consideration. In these days, when in our country there is so strong a tendency toward making our representatives in Congress and State Legislatures, not to speak of nominating conventions, mere delegates to record the wishes of their constituents, instead of representative men from the constituency, whose business it is to deliberate intelligently and conscientiously upon the affairs of State and then to take independent action, we seem to be drifting toward the *referendum*, toward government, not by representatives, but by the people directly. Is the tendency a desirable one?

In contrast to the drift towards socialism, which we find in so many writers, Laveleye's opinion as to the end of the State may be cited. "The mission of the State is no longer to bend the citizen to its purposes, but to make the laws which permit individuals to attain, through their own efforts, to the full enjoyment of the fruits of their labor and to the complete development of their faculties." And yet the author is not an extreme individualist and believer in *laissez-faire*, for in a succeeding chapter upon the functions of the State, he agrees with Quesnay in saying, "The State is force

put at the service of justice. Its transitory but not less important function is to favor the advancement of civilization. It is primarily the judge and the policeman, but it is also the builder of roads and the school-master."

Most of our later students of Sociology will turn with interest to the chapter entitled "Society is not an Organism;" but in the chapter, after all, we merely find our attention drawn to the danger of pushing too far the comparison between the biological and the social organisms. The author simply wishes to insist upon the fact that in society the individuals which compose the organism have lives of their own. "Society is only the sum total (*ensemble*) of the relations existing between the individuals which compose it; relations are not a person."

The constitution makers in our new States might do well, instead of confining their reading largely to the constitutions of some of the older States in our country, to read some of the author's arguments with reference to the length of time for which representatives should be elected, to the pay of representatives, to the ideal basis of the suffrage, to methods of preventing illegitimate influences in elections, and so on. Without giving his arguments at length upon any of these points, it is interesting to note that he, with Mr. Sidgwick, thinks that our short terms of legislative offices, for one year or two years, have an injurious effect, in that they tend to make of the representative a mere delegate; and that the terms should therefore be longer. They should not be too long, for if they are, the representatives will cease to represent the ruling opinion in the country and will then pursue their own interests and not those of the people. Seven years, even five years, Laveleye considers too long a term; four years seems preferable, with a partial renewal of the chamber at each election.

He believes in the American idea so far as to favor low salaries for representatives. He fears somewhat, apparently, the unintelligent vote, for while he thinks that the suffrage should be extended until it is practically universal, with the

exception of soldiers, in some cases of preachers, etc., he still thinks that universal education resulting in universal political capacity should precede universal suffrage.

To preserve the purity of the ballot and check all kinds of illegitimate influences, he favors the secret Australian ballot system, as carried out in Belgium, and thinks further that all the expenses of the election ought to be borne by the State and not by the candidates. He well says: "If these expenses are borne by the candidates, the question will seem to be one of individual interest rather than the good of the State, whereas the election of a representative or of a municipal councillor is above all a matter of public interest."

He goes somewhat outside the field of politics, as Americans ordinarily view it, in advocating the congregational system of electing pastors to churches, thinking that the training that the church members thus get in popular elections will have a beneficial influence upon politics. The evil influence of the clergy in elections also seems to him worthy of extended comment. These discussions show mainly that the environment of the author was not that of an American.

The method of the book is not merely analytical and psychological, but is also in good part historical, and the author makes frequent use of his extended knowledge of books and men and government; and a work that has discussed at length the general principles of politics, with especial reference to bringing out the advantages of democratic government and the necessary conditions for its success, closes fitly with a long chapter upon the lessons that history teaches us upon these different questions.

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DAS KREDITWESEN DER STAATEN UND STÄDTE DER NORDAMERIKANISCHEN UNION, in seiner historischen Entwickelung, von DR. CARL COPPING PLEHN. Pp. 93. Jena, 1891.

This work of an American student, now Professor at Middlebury, Vt., is a convenient summary of the history of public

debts in American States and municipalities. A more extensive examination of the field would have led the writer into the details of local history and would have marred the continuity of the recital. The accessible materials seem to have been carefully examined, and the result is a clear and orderly exposition of the main features of the historical development.

Both in States and cities this history shows two distinct periods, one of somewhat open-handed debt-making, which was followed by constitutional restriction. It was necessary to separate States from cities in the treatment. We are shown how the liberal use of the borrowing power saddled burdens on the communities incommensurate with their resources. The discontent with this state of affairs evinced itself in the effort to unburden the debt on the Federal Government in the early forties. Unsuccessful in this attempt, the people in the revision of the constitutions very generally placed restrictions on the borrowing power, which are described in ample detail. With or without plausible pretext some of the States scaled or repudiated their debts, though the reproachful term repudiation was sometimes applied to a temporary default in interest payments, which was afterwards made good. The cities were debarred from this convenient method of ridding themselves of a disagreeable burden. The effect of these various measures has been a decrease in the absolute as well as the per capita debt of the States and cities.

The history of local debts is a chapter in that of internal improvements. The main purpose of this debt, both in States and cities, has been the promotion of such ends. Neither State nor local debt appears to any great extent prior to the era of canals and railroads, and it does not assume importance until after aid for such enterprises ceased to flow from the Federal Treasury. The debt of States was contracted most largely for what are sometimes termed productive purposes, though in the days of the war a not inconsiderable war debt was added to the public burden. Similar purposes, though of a more purely local nature, led to the

contraction of city debts; and these in turn became more prominent after constitutional restrictions had limited the borrowing power of the States. R. P. F.

METHODS OF INDUSTRIAL REMUNERATION. By DAVID F. SCHLOSS. Pp. xx. and 287. New York: G. P. Putnam's Sons. London: Williams & Norgate. 1892.

The author of this valuable little book is already known as a writer in the *Fortnightly Review*, the *Contemporary Review*, the *Economic Review* and the *Economic Journal*, and also as the author of the Chapter on the London boot trade in Mr. Chas. Booth's *Labor and Life of the People*. The present treatise is at once a summary and a continuation of his previous work.

The book treats solely of the methods of industrial remuneration considered apart from the amount. It is based on (1) the wide and varied observations of the author, at first hand, in numerous factories and workshops, mines, etc.; (2) the recent parliamentary investigations into the condition of the laboring classes, the "sweating system," etc., the reports of other systematic inquiries into the same subject by different bodies, as for instance the Social Economy Section of the Paris Exhibition of 1889; and (3) the recent publications on Labor, Wages, Profit-Sharing, Co-operation, etc.

The immense amount of material compressed into the comparatively small space is yet thoroughly digested and treated in a way that shows great powers of accurate observation and scientific analysis. The chief fault of the book is, perhaps, the too strict systematization which leads, at times, to wearying repetitions.

The discussion may be divided into two parts; (1) the wage system in its various forms, (2) the different methods of Profit-Sharing and Co-operation. The first few chapters are devoted to an analysis of the different kinds of wages.

The author then turns to a discussion of the sub-contract system, with a view to ascertaining how far that system is responsible for "sweating." He finds that "sweating" is by no means confined to this method; many forms of sub-contract are entirely free from this evil and many other forms of remuneration afford equal opportunity for it. "The gist of the whole matter is that the workingman, who complains of the work being done under the 'method' of sub-contract, complains because the work might be, and is not, done under a foreman or other superintendent remunerated by time-wage and, for this reason, free from any strong incentive to bully the subordinate workers into over-exertion." (p. 131.)

Interesting is the restatement of the reasons why the working man objects to doing his "level best;" these being, among others, (1) that the "Lump of Labor" (meaning a fixed, unvariable amount of work existing at any one time) may be spread out thin over the whole body of working people and (2) that any addition to the number of the unemployed not only casts an additional burden on the Trades Unions but increases the number of those ready to "scab the work."

Undoubtedly the most interesting part of the book is the author's criticism of Profit-Sharing, which he condemns in sweeping terms. "The most important of all the respects, in which this novel method compares unfavorably with the old-fashioned wage-system, is the manner in which Profit-Sharing offends against that cardinal principle of industrial remuneration which demands 'that every man shall receive his own reward according to his own labor.'" (p. 189). Profit-Sharing, Mr. Schloss maintains, is only justifiable as an attempt to give to the worker those extra profits which shall result from the extraordinary zeal shown by him. As far as those extra profits are the result of the extra zeal shown by the worker, he is entitled to the whole of them and in many of the older forms of remuneration he would not fail to receive them, through any mismanagement or mal-

adverience on the part of the employer, as could be shown to be too often the case with Profit-Sharing. The author admits that there are cases in which it is impossible to measure the amount of extra zeal shown, other than as it shows itself in the profits, but even these cases the wage-systems of "progressive piece-wage" or of "collective gain-sharing" would not fail to cover. The flippant criticism of Profit-Sharing, so often heard, namely, that the losses are not also shared, is answered by the statement that if the worker expend extra force and zeal, in the hope of a share in the profits and there be no profits, he loses as well as the employer, in that he gets no return for his extraordinary exertion.

The discussion of Co-operation is a valuable addition to the literature on this subject. The author would lay more stress on the social significance of the movement than on its economic importance. "For the co-operative method, training men, as it does, to habits of self-control, developing, as it does, mutual good-will between loyal associates, and promoting, as no other method can do, self-respect and self-reliance, merits the admiration of all who have at heart the welfare of their fellow-citizens." (p. 264.)

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NOTES.

STUDENTS of economics and politics will be much pleased to note the growing interest in these subjects in the country at large. In the first issue of ANNALS attention was called to the number of special journals devoted to these subjects and to the increasing space given to them in the daily and weekly press. The number of special scientific journals of high character will shortly be increased by two —the *Yale Review*, which is to be converted into a review of social and economic subjects, and the *Chicago University Journal of Economics*. The number of periodicals devoted to the advocacy of specific reforms in the special and political field is steadily increasing; while the number of societies with similar aims keeps equal pace.

Equally marked is the evidence of growing interest in these subjects which is afforded by the continually expanding scope of the instruction offered in our schools and colleges. A number of new chairs have been established in the older institutions, while the opening of the Chicago and Leland Standford Jr. Universities signalizes the addition of at least ten academic positions to those now existing. Indeed, it may almost be said that the opportunities for work along these lines are increasing more rapidly than the number of men qualified to utilize them.

Quite as striking testimony to the general fact here noted is furnished by the demand for courses in economics and politics which has shown itself in connection with University Extension work. The columns of *University Extension*, the organ of the American Society, give many instances of this. Kansas, Minnesota, Wisconsin, Indiana, Michigan, Cornell and Vanderbilt Universities have all offered courses more or less extensive in this field. All of them, to judge

from the reports, were very successful and many more courses were called for than could be supplied.

One of the most striking experiments was made by the American Society for the Extension of University Teaching, and its success was eminently satisfactory. The Society appointed Mr. Edward T. Devine, a Fellow of the Wharton School of Finance and Economy, as a Staff Lecturer in Economics. The appointment was made late in the season, after many of the centres had made their selection of courses for the winter. Only one course was offered, entitled Political Economy. It contained six lectures. A careful syllabus was prepared, containing a list of books to be read. The course was chosen by twelve centres. It cost each centre, including lecturer's fee and traveling expenses of the lecturer, $150, besides the local expenses for hire of hall, advertising, etc., which amounted, perhaps, on the average, to $100 more for the course. All the centres were so well pleased that they have expressed a desire for further work in the same field during the season, 1892–93. The audience included a number of ladies and the number of persons taking active part in the class exercise which followed each lecture, was a very large proportion of the total number attending.

This course was not merely a series of popular lectures dealing with the superficial aspects of current questions; on the contrary, it treated in considerable detail some of the most intricate problems relating to the doctrines of rent, wages, interest and capital. No more satisfactory evidence, therefore, than the history of this course, can be offered that the general public is coming to take a serious and a sustained interest in the vital problems connected with the field for the cultivation of which the Academy exists.

It is also a good omen for the future student of economics and politics, since it indicates the possibility of a new career for the teacher of these subjects. The experience of the University Extension Society demonstrates that the career of public lecturers on such subjects offers a pecuniary return

which does not compare unfavorably with that of the college instructorship, or even professorship.

M. DUCOUDRAY is a prolific writer of school books in history, though little or none of his work claims to be original. The second and concluding volume of the translation of his Histoire Sommaire de la Civilisation* has recently been issued—a work which in the original French attempts to compress into 1100 pages not only a treatment of the subject in its usual sense, but also to give an account of the progress of literature, science and art from the earliest times to the present day. One of the results is what might have been anticipated—such a concentration as to render the book of little use to pupils unless supplemented by the comments and explanations of a teacher exceptionally equipped in historical training for the grades for which the book is designed. Another consequence has been an abundance of errors in matters of importance even, mistakes which persist in the English rendering, in spite of the translator's promise "to omit much and to correct freely" on account of the author's "so exclusively French" standpoint. The lack of an index can hardly be excused in a work of this sort and in this age of much book-making.

THE publishing house of Karl J. Trübner (Strassburg) proposes to issue hereafter a yearly catalogue of all the chief universities of the world.† The first of the series appeared some months since and deserves the highest praise both for the carefully collected and collated information it contains and for its elegant appearance. The universities of the United States which are included are the following: Howard, Yale, Princeton, Pennsylvania, Virginia, University of the

* THE HISTORY OF MODERN CIVILIZATION. A Handbook based upon M. GUSTAVE D. DUCOUDRAY'S Historie Sommaire de la Civilisation. Pp. xx, 587. New York: Appleton & Co., 1891.

† MINERVA, Jahrbuch der Universitäten der Welt, Herausgegeben von Dr. R. KUKULA u. K. TRÜBNER, Erster Jahrgang, 1891-1892. Pp. viii., 359. Strassburg: Trübner, 1891.

City of New York, Michigan, Wisconsin, California, Cornell, Minnesota, Vanderbilt, Johns Hopkins and Clark. The list of the instructors and the subject taught by each is supplemented by a complete index of all the names mentioned.

THE first number of the new *Yale Review*, a quarterly journal of history and political science, appeared last May. It is edited by Professors George F. Fisher, George B. Adams, Henry W. Farnam, Arthur T. Hadley and Dr. John C. Schwab. "Committed to no party and to no school, but only to the advancement of sound learning, it aims to present the results of the most scientific and scholarly investigations in history and political science."

The body articles of this first issue comprise papers on German Tariff Policy, by Henry Villard and Professor Farnam; The Demarcation Line of Pope Alexander VI. by E. G. Bourne; Legal Theories of Price Regulation, by Professor Hadley; Massachusetts and the Saybrook Platform, by Williston Walker, and Labor Troubles between 1834 and 1837, by Evans Woollen.

The increase of periodical publications devoted to the serious and scientific investigation and presentation of political and economic subjects, cannot but call out the better energies of our universities and encourage more scholarly methods than have characterized much of the special work in this country in the past.

PROFESSOR NYS, of Brussels, has attempted, in the compass of some two hundred coarsely printed pages, to sketch the development of political speculation in France prior to the eighteenth century.* When one considers the necessary limitations of such a work it is at first sight difficult to see why the author included the history of International Law as well as that of Politics. The title is perhaps a little misleading, however. But a single comparatively short chapter is de-

*LES THÉORIES POLITIQUES ET LE DROIT INTERNATIONAL EN FRANCE JUSQU'AU XVII. SIECLE, par ERNEST NYS, Professeur à l'Université de Bruxelles, etc. Pp. 208 Bruxelles (Weissenbruch) and Paris (Alcan); 1891.

voted to International Law, or rather to the reasons why there was no history of International Law in France. Several interesting pages are given to Émeric Crucé (died 1648) and his plan of universal peace. Towards one-fourth of the volume is taken to describe the political theories of the Middle Ages. Here it is surprising in so general an account to find no mention of Marsiglio of Padua, professor at the University of Paris and author of the remarkable work, *Defensor Pacis*.

Professor Nys has given us an unsatisfactory book. It is too brief for the student and too unsymmetrical for the general reader, nor does it furnish a convenient compendium for reference, lacking, as it does, an index.

THE *American Institute of Instruction* will hold its sixty-third Annual Convention at Narragansett Pier, R. I., on July 5th, 6th, 7th and 8th. Every effort has been made to render the meeting at once profitable and agreeable. The provisional programme embraces, among others, papers by Professor Simon N. Patten of the University of Pennsylvania (The Economic Basis of Education); Professor William M. Davis of Harvard (Geographical Illustrations); President Capen of Tufts College (Grammar Schools); Professor Lorenzo Sears of Brown (English Composition in College); and Professor Chas. F. Johnson of Trinity College (The Development of Literary Taste in College Students).

THE Second Annual Session of the *School of Applied Ethics*, under the direction of Professors C. H. Toy, H. C. Adams and Felix Adler, will be held at Plymouth, Mass., July 6th to August 17th. In the department of the History of Religion there will be six courses of five lectures each, on the religious ideas of the Hebrews by prominent specialists in this field.

In economics there will be the following courses: Changes in Theory of Political Economy since Mill, by Professor H. C. Adams; Theory of Social Progress, by Professor F. H.

Giddings; Function of Philanthropy in Social Progress, by Father Huntington, of New York, and Miss Addams, of Chicago; Function of Law in Social Progress, by Professor F. W. Taussig; Statistical Presentation of Industrial and Social Questions, by Hon. Carroll D. Wright; Critical Study of the Labor Problem and the Monopoly Problem, by Professor H. C. Adams.

In the department of Ethics the chief course will be given by William Wallace, of Oxford, consisting of fifteen lectures on the Variations of the Moral Standard, illustrated by the History of Ethical Theories.

The shorter courses will include The Relation of Civil Government and the State to the Church and Religious Organizations, by Professor Burgess, of Columbia College; The Moral Evolution of Our Political Institutions, by W. L. Sheldon, of St. Louis; The Idea of Justice, with its Political and Economic Applications, by Wm. M. Salter, of Philadelphia; and The Legal Aspects of the Temperance Question, by General A. B. Nettleton, of Washington.

A SOCIETY has recently been organized in Canada called the *Canadian Association for the Study and Dissemination of Social Science.* Its establishment was largely due to the efforts of Dr. Larocque, Federal Statistician. The objects of the organization as explained in its constitution are, first, the patriotic effort "to seek by every worthy means to promote the building up of a pure, strong and united Canadian nationality, irrespective of race or language"; further special cognizance of vital statistics in order to approximate more accurately the ratio of national progress; the discussion of questions related to the physical, intellectual and moral welfare of the people, with attention to the social status of the different nationalities inhabiting Canada, and finally the dissemination of such literature among families, and public schools as shall instruct the rising generation in the laws of physical health and the principles of moral and social order.

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OF

POLITICAL AND SOCIAL SCIENCE.

THE ECONOMIC CAUSES OF MORAL PROGRESS.

In clearing away the obstacles that have obscured economic laws, the economist is forced to investigate all the problems that cluster around industrial life. He cannot get at the secret springs of economic activity without going beyond the limits which, in a strict sense, bound his science. When the tendencies were strong in economics to seek a physical basis for all economic theories, he was forced to become a physicist, and even an agricultural chemist, in order that he might determine the principles which regulate the production of wealth on its physical side.

Of recent years a strong tendency has arisen to lay stress upon the subjective side of economics and hence the economist has become a psychologist and has investigated many psychological problems which have been neglected by psychologists with metaphysical tendencies. Out of all this has come a new method of psychological investigation and the formulation of laws that throw new light upon some old problems, the solution of which was not possible by accepted methods.

With the vantage ground thus obtained, I desire to reexamine the principles of ethics and to modify them by the new doctrines that have arisen from investigations purely economic.

Ethics in the past has been closely associated with transcendental philosophy and has borrowed its terminology, ideas, and concept of mental activity from that mode of thinking. A large part of the same phenomena has been investigated by economists, men of instincts and education other than those possessed by the group of thinkers called philosophers. It is, therefore, no matter of wonder that these two essentially different types of thinking should use different terms to express similar ideas, nor that there should be a liability to confusion when they meet upon the common ground of ethics.

Looked at from a philosophical point of view, moralists are either intuitional or utilitarian. This distinction, however, cannot serve as a basis for the present paper, because it does not discuss the origin or binding force of the moral standard; it merely points out the changes in the degrees of utility which at different times accompany a given act and the effect of these changes on the conduct of individuals. Here is a sphere which belongs properly to economists and in which they can justly demand the attention of moralists. From an economic standpoint, both these schools of morals are types of a mode of thinking which prevailed under primitive conditions, before industrial affairs assumed a dominant place in society. I shall call this mode of viewing moral questions, primitive morality, contrasting it with social morality, the morality of an industrial society. Both kinds of morality are, in a measure, social, because moral actions are always modified by the economic environment, but the want of a better classification compels me to use the latter term in a more limited sense to denote the type of morality consciously associated with economic activity. How, then, are primitive and social morality to be distinguished?

Morality is intimately connected with pleasures and pains. Certain actions give us a surplus of pleasure and we are inclined to choose them. If right conduct always gave the greatest surplus of pleasure, our choice would be simple,

and there would be no science of ethics. But too often the surplus of pleasure seems to be on the side of wrong action, and then the ethical difficulties begin. How can the mental attitude in this case be so changed that the surplus will be on the right side?

Let us suppose that the wrong action gives fifteen units of immediate pleasure, with which are associated two units of pain, and that the right action gives thirteen units of pleasure, from which must be deducted three units of associated pain. Here plainly the tendency is in the wrong direction. How shall it be corrected? One way is through asceticism. The actor is inculcated with a philosophy that leads him to despise pleasure; he relinquishes worldly aims and ambitions; and emphasises the love of virtue for virtue's sake. This mental action, when carried to an extreme, causes men to abstain from economic activity. It leads men to avoid, at any cost, all influences which can create temptation and encourages them to pass a life absorbed in meditation. In these and many other ways this doctrine seeks to reduce the surplus of pleasure on the side of wrong, so that the surplus of pleasure will be on the side of right, thus insuring the proper action.

Another way of reducing the surplus of pleasure on the side of wrong is through an emphasis of the requital for bad conduct. With bad actions are associated the evil consequences which flow from them, and in the mind is created a vivid picture of the ultimate effects of bad actions. Hence, when the individual is prompted by the thought of a surplus of present pleasure to enter upon some evil deed, the association of future pains with the evil act reduces the surplus of pleasure which would come from it, thus strengthening the motive for right actions.

The idea of requital for evil deeds is impressed upon us mainly from two sources—the discipline of consequences and our criminal law. The unavoidable consequences of evil deeds have given rise to the theory that nature inflicts a proper punishment for the breaking of her laws. The doer of evil in

some natural way meets a fitting requital from the moral order he has violated. The loss of friends and property, sickness, suffering, and similar misfortunes form prominent elements in the plan of natural retribution and show that the acceptance of a wrong moral principle necessarily results in the destruction of the evil doer. This kind of morality is best impressed by the early literature of the race, which pictures men in simple environments without fixed institutions, and by simple lessons from science, especially from physiology.

The progress of civilization has brought the State into the foreground as a great source of requital for evil. We are not willing to wait until the natural retribution falls upon the head of the evil doer but desire to inflict some present evil of sufficient magnitude to hold him and others in check. A penalty, therefore, is attached to each crime through which the evil act has a surplus of pain instead of pleasure. Every system of jurisprudence has this thought as its basis. The punishment for each act must be painful enough to deter the doer of evil from his intended act; but not so great that he should prefer to commit a great instead of a small offence.

The early types of morality thus seek to secure a conformity to the moral law in two ways: by educating the actor, through some form of ascetic doctrine, to be indifferent to pleasure, and by associating evil results with the keen pleasures which so often lead the actor astray. It should be noticed that both of these remedies act primarily upon the surplus on the side of wrong conduct. They tend to reduce the pleasure of living by shutting out one class of pleasures without offering any substitute for it. The right action gets the excess of pleasure on its side, not because of any increase of the pleasure from it, but because of a decrease of the surplus pleasure from the wrong action. The natural inclination of the culprit to do the wrong may be as strong as ever; he merely yields to the superior force of society and sighs for a world in which his stronger desires could be gratified without any restrictive conditions.

That the moral regeneration of the world demands more than this unwilling conformity to the moral law is recognized by all, yet, so long as the current ethical systems with their primitive conceptions maintain their ground, just so long will that regeneration be retarded. A conscious recognition of new conditions could hardly be expected from those who are embued with ascetic ideals, but even as noted an iconoclast as Bentham got no further in his solution than to attach a penalty to wrong action large enough to cause the actor to choose the smaller pleasure which right action is supposed naturally to give. He did not seek for any laws determining the increase of utility, but assumed that the pleasure of wrong action was so great that some requital from society was needed to reduce the net pleasure of wrong actions below that obtained from right actions. In this way his system became merely a system of jurisprudence—a necessary adjunct to the natural requitals which nature inflicts for the violation of her laws, not a system of morals in the true sense of the word.

These errors are the natural outcome of the education and environment of the early moralists. Ethics has always been regarded a part of philosophy, and philosophers have confined themselves too much to introspective methods and are inclined to believe that elements are fixed which an inductive method would show to be changing. The laws of utility which lie at the basis of morality have never attracted the attention of philosophers. Though a part of psychology, they have been overlooked by psychologists, while economists from the necessities of their investigations have been compelled to devote much attention to these laws. In this way studies which are purely economic have helped to clear up a neglected part of morals, and thus may assist in laying the foundation of true ethical science.

Economic theory can throw light upon moral problems if it can show how the higher pleasures obtain the power to resist strong passions. It can thus show how moral ideas grow, or under what conditions the conscience becomes

more efficient. If the same psychological principles act in the consumption of wealth as in morals, moral progress must depend upon the same conditions as economic progress. The mechanism of economic progress is best seen in the theory of consumption, especially in discussing the standard of life. I desire, therefore, to call attention to this part of economic theory and to formulate a few of its laws as a basis for subsequent discussion.*

1. Complementary Goods. The pleasure secured from an harmonious group of articles is much greater than the sum of utilities which can be obtained from their separate consumption. The pleasure derived from the consumption of each article is not a unit separate from the pleasure derived from every other article. Meat, bread, potatoes and coffee consumed at one meal give greater pleasure than if each article was consumed in isolation. A suit of clothes, harmonious in color and form, gives a greater utility to its possessor than the same articles would give if they were not adjusted to one another. We seek to unite isolated articles into harmonious groups so that their utilities may blend. There results a synthesis of mutually complementary elements, the joint utility of which is greater and more intense than the sum of the separate utilities of its components. Goods do not form a complement† in consumption unless the gratification derived from the group as a unit is greater than the sum of isolated utilities of the parts making up the group.

2. The Imputation of Utility. As the utility of each complementary group is greater than the sum of the utilities of its parts, we must impute to the parts a higher utility than

*See Patten, *The Consumption of Wealth* and *The Theory of Dynamic Economics*, Nos. 4 and 11 of the Publications of the University of Pennsylvania, Political Economy and Public Law Series.

†The word "complement" is here used to convey the idea of an harmonious grouping of goods through which, by the blending of the utilities of the separate articles, a higher utility and a greater amount of pleasure is obtained. This is but an extension of the recognized meaning of the word in the expression a "full complement," that is, a complete and perfect group.

they would have in isolation. In fact many articles which consumed alone would cause pain, as a part of a group can have a high utility imputed to them. Salt, pepper, and other condiments are notable examples of this class; being by themselves sources of pain, all their utility in the group is imputed to them. The imputation of utility is a subjective act, depending upon the fact that complementary goods afford more utility in their joint consumption than in isolation. We must distribute the added utility among the members of the group in some way that will satisfy subjective feelings. The primary principle upon which we act seems to be that we impute to each article the difference in the total utility of the complement with and without the article in question. This principle must be modified by many secondary laws which need not be discussed, as their consideration is of little moment to the subject in hand.

3. *The Mechanism of the Standard of Life.* The key of economic progress depends upon the measure of the standard of life and upon the laws that determine what articles or groups of goods shall form a part of the standard. We try to distribute our income so as to give us the maximum pleasure. No article or group will remain a part of the standard unless the excess of its utility above the cost is about the same as that of other parts of the standard. The primitive man has but few intense pleasures and only a few goods that are really complementary to one another, while the cost of most goods is so great that they are shut out of use. Under these conditions the standard of life will be low, because few articles will give enough surplus pleasure over cost to create a sufficient inducement to procure them. But, as soon as the primitive appetites and passions are weakened and the formation of new groups of goods increase the surplus of utility derived from them, the excess of pleasure above cost becomes, in many cases, so nearly equal that the articles or groups become a fixed part of the standard of life. The new pleasures will be as strong as the old and there will be no tendency to

reduce the variety of consumption even if industrial depression makes temporary reductions in the income.

4. The Relative Size of the Complementary Groups of Pleasure and Pain. It is a fact of importance that groups of pains are much larger than those of pleasures. It is easy for any one to aggregate all the evils of life and impute the whole group to some one cause. It is not uncommon for persons to impute to several causes in turn the aggregate of pains from which they suffer. The applicant for a pension may be honest in thinking that his service in the army is the cause of all the evils from which he has since then suffered. In this way the evils of life are exaggerated and in many cases a surplus of pain is created where a more accurate method of accounting would show a surplus of pleasure. The groups of pleasures are relatively small and cannot be easily increased. A large complementary group of pleasures seem unreal and usually the pleasures remain a mere aggregate and do not blend into a single unit the utility of which would be much greater than the sum of the utility of the isolated parts. The progress of civilization tends to enlarge these harmonious groups of pleasures, but, as yet, this progress has been so limited that they are yet much less in size than those of pain.

The larger relative size of our groups of pain is due to the survival of feelings from primitive conditions. Our complementary groups of pain are more instinctive than those of pleasure and the association of ideas with pains is also stronger and more vivid. The original state of war that Hobbes emphasizes points to a primitive condition where the instincts to guard against enemies were more important than those that lead men to seek pleasure in one another's company. The early economic conditions also strengthened this tendency. Where the food supply is irregular the imagination is usually the most active faculty. Fasting or starving intensifies the unreal vision of a strong imagination. In such a state a man can more readily throw all his evils into one complementary group and impute it to any

source. A regular food supply weakens this kind of imagination, The consumer now lives more in the present and the chain of evils that affects him is shortened and broken.

The increase in the sum of pleasures which society has to enjoy, or, to express the idea in economic terms, the increase of the standard of life depends upon these four economic causes. The simple pleasures of primitive life depend mainly upon sensation. By association we learn that certain articles are harmonious and with them we form complements through which the pleasure of the articles is greatly increased. Certain inharmonious articles are eliminated from consumption or are, perhaps, united into groups of their own, in a way that will not interfere with the leading groups with which they are out of harmony. It is usually the case that when two small groups are united into one, through progress in consumption, some article must be omitted or the increase of total utility due to the formation of the larger group will not be secured. In increasing the variety of food, the pleasure obtained is not merely the sensation of eating, but the pleasant feeling or increased utility which follows the meal. The digestion of the food determines largely the sum of pleasure due to the meal; and if two groups, each an harmonious unit, are discordant when consumed together, not only is the pleasure of the meal reduced, but the consequences may be disastrous.

Perhaps the best illustration of discordant groups is furnished by the sour, heavy foods that harmonize with strong liquors and the diet of the abstaining classes in which sugar occupies a leading place. With a free use of liquor, coarse food can be washed down and digested, but such food will not harmonize with a free use of sugar. A marked opposition thus arises between a liquor diet and a sugar diet and consumers are forced to choose between them.*

The raising of the standard of life involves, therefore, the ejecting from our consumption of articles out of harmony

* See Patten, the *Economic Basis of Prohibition*, ANNALS OF THE AMERICAN ACADEMY. July, 1891.

with the new conditions, though these articles are often those that, by themselves, were sources of great pleasure. The choice must be made between the pleasure of some single article and that of some complementary group of goods which tends to displace that article. The primitive man gets his pleasure from some one or few articles and adjusts his other consumption to this pleasure. The civilized man, however, ejects those leading pleasures which depend mainly upon sensation, choosing instead larger groups, the parts of which separately have less utility, but, being harmonious, give a larger total utility. The disuse of liquor and tobacco by so many individuals is a notable instance of the change of which I speak. These articles are sources of great pleasure, but are so inharmonious with the consumption of sugar and other articles, which enter into large groups, that there is a rapidly increasing tendency to omit them altogether. The steady decrease in the use of vinegar and of fat foods has the same explanation.

It also seems possible that there will arise as marked an opposition between the use of meat and milk as there is now between liquor and sugar. A century ago the diet of the common people was largely vegetable., meat being used only on rare occasions. Under these conditions milk and other dairy products were the main source from which animal food could be obtained. Such articles, therefore, were largely used to give relish to vegetable products, milk or butter being a leading element in most kinds of seasoning. The recent improvement in economic conditions has made meat the basis of the diet of all classes, and, as a result, dairy products do not furnish an element of which there is a lack, but one that is already well supplied from other sources. Milk, moreover, sours so readily that it does not unite easily into large groups, such as are now the leading elements of our diet. It had its proper place in the diet of our ancestors, but must be ejected from our own if we mean to avail ourselves of the choice which there is now between the best groups.

I mention these seeming irrelevant facts to show the conditions upon which a higher standard of life depends. It is not necessarily a choice between articles good or bad, nor is it merely the element of cost that determines the standard, but it is a choice between small and large groups. When larger groups are formed by uniting the smaller groups into one, some of the leading elements of pleasure in the smaller groups, perhaps the main element, must be thrown out so that the consumption may be harmonious and the total utility increased.

From an economic standpoint, the difference between a good and bad consumer lies in the willingness to eject elements from the consumption which do not unite readily into large groups. Some consumers accept the increasing variety which improved economic conditions permit, and from the new articles as well as from the old get the pleasurable sensation which their consumption affords. They lose in this way the greater pleasure which the formation of their goods into complements would give and suffer, in addition, the ultimate results which flow from an inharmonious consumption. The good consumer ejects the discordant elements, forms larger groups, and gets the greater pleasure, present as well as future, that follows his wiser action.

A correct imputation of utility is a great aid to this end. Suppose two groups of three articles each can be united into a larger group if article A of the first group be omitted. Articles A, B and C of the first group give respectively eight, six and four units of pleasure; D E and F of the second group give each five units of pleasure. Because of the greater harmony of the consumption, the new group without A will give forty-five units of pleasure. Of these forty-five units, twenty-five are fixed and belong to the five articles according to the pleasure derived from their separate consumption. The other twenty units, however, result from the harmony of the larger group, and this amount must be imputed by the consumer to the five articles in whatever order he may determine. If he distributes it in the best

manner, each of the five articles will have imputed to it a utility of nine units. Then, as each of the five articles has a higher utility than A (eight units), there will be no inclination to break up the larger group to get the pleasure of consuming A. The larger the group the more pleasure can be imputed to any one element, thus increasing the power to resist any disintegration of the group into smaller parts, in each of which some crude but strong pleasure is the dominant element.

The necessity of renunciation upon which moralists have put so much emphasis, arises from the need of giving up single intense pleasures to acquire a complement of pleasures, weak in isolation, but strong when united into a harmonious group. When the new complement is formed and the imputation of utility changed to correspond to the new condition the need of this particular form of renunciation ceases. The new complement will have a greater surplus of pleasure than the old passion had and will naturally be chosen.

I have described in full the conditions that create a higher standard of life, not because the economic and the moral standards are the same, but because the same psychological principles act in each case. Moreover, there is no distinct line of demarcation between the two. The small and simple groups that are plainly economic first attract the attention of the consumer and then he begins to appreciate the larger groups in which the moral and economic blend, finally reaching the largest groups that are distinctly moral. They are all created on the same plan and have their growth conditioned by the changes in the mental organization of the race which accompany its progress. As the smaller groups unite to form the larger, there are always discordant elements to eject and a sum of added pleasure which must be imputed to the several members of the new group. Thus the consumer becomes a better consumer, or, if we have passed into the groups which form the ethical world, the moral judgment and conscience become more active elements in forming our characters.

Of the groups partly economic and partly moral in their character, perhaps, the most powerful is that we designate by the word "home." A home is not a simple pleasure, but it is a great group of many pleasures, so many that it would be impossible to describe them in detail, and yet the word, with the meaning we attach to it, is of modern origin. It is said that many languages are without it. This means that in early times, and in many nations at present, the numerous pleasures that are now blended in this group were isolated pleasures or members of small groups associated with other objects. Yet a process of ejection and of amalgamation of pleasures has gone on until the new complement is strong enough to be able to hold in check the strongest of the passions. It has modified many pleasures, changed their character, and has also created many which could not have arisen under other conditions.

A similar ideal is conveyed by the word "comfort." We want to possess just enough of each article in daily use that a harmonious whole may be formed. In this way a complement is formed through which a multitude of little conveniences and pleasures are made a part of the standard of life. The term "credit" denotes a powerful complement which has been created by conditions which are purely economic and yet in time have assumed a moral aspect. "Saving," in the beginning a purely economic ideal, has now so many pleasures resulting from it, that few complements are so interwoven with our whole social prosperity. Cleanliness also is not a simple pleasure, but is a complementary group which has grown up out of economic conditions. Without any distinctively moral backing, it has radically changed our consumption, and, perhaps, has been the cause of ejecting more discordant elements than any other means.

Our political ideals are also rapidly becoming groups of importance. The term "nation" brings up many of our growing pleasures which are uniting into a single group. The feelings that most people have for the city in which they

live are destined to grow even more rapidly. Our parks, streets, and public buildings, as well as other features of city life, create in us strong feelings which in time will become parts of a single complement. Then we shall eliminate from city life many of those disagreeable elements which are now a necessity because they are prominent parts of the smaller groups of pleasures that influence its citizens.

The church and schools are also growing social complementary groups which are centering about themselves strong pleasures that otherwise would be weak isolated feelings. Like other complements, they help us to suppress many discordant elements which are controlling forces so long as the groups of pleasures are small. We must always weaken by disintegration some strong feelings before new and larger complements are formed. Our strong primitive feelings are the obstacles that prevent social progress.

From the foregoing it will be seen that there are, in morals, two active instincts or principles with two underlying conditions accompanying their working. The latter come from the economic world, the former, though also active there, are seen in their purest form in morals. The conditions to morality lie in the size of the complements of pleasures and in the equality of the pleasures forming the complements. The principles shaping the action of the will are the ejection of discordant elements and the correct imputation of pleasures. The economic creates the possibility of the larger groups of pleasures, while the moral drives out the discordant elements, through which alone the formation of larger groups is possible.

The growth of the instinct to discard inharmonious elements from our consumption aids in the acquirement of a tender conscience; this being the name we give in morals to the instinct to eject discordant elements. The moral ideals are formed on the same plan as the complementary groups of our consumption. We create in our imagination ideal conditions where many of the pleasures of life are brought in one group. The elements of this group are collected

from widely different and conflicting sources which cannot blend into one unit until some of the elements are dropped from the picture and others are reduced to a more subordinate place. Only those who have acquired the habit of summarily ejecting discordant elements can form the highest ideals or have the character needed to realize them.

The imputation of utility is also active in the formation of moral ideals. When a moral element is associated with a complement of goods, most of the utility derived from them may be imputed to it. With the progress of civilization each of the virtues enters more of the complements of pleasures, and as the moral ideals become distinct and clear, the various complements of goods are bound together through their moral elements. A moral complement is formed which aggregates in itself the whole utility of living. It is therefore possible to impute to any act a sum of pleasure greater than what can be derived from violating the moral principle. The doing of the right now becomes natural and the will is said to be strong.

It is, however, a mere figure of speech to talk of a weak will or a strong will. Wills differ not in their strength, but in the motives that control them, and the conditions under which they act. Wills do not grow like muscles. They show their superiority by the forethought they exercise in creating a protection against a sudden rise of passion. Ethical education is an education not of the will, but of the instincts and tastes that influence its action. An equilibrium of motives must be acquired before the will can act properly. The motives must be brought into harmonious relation and be of equal strength before the moral character reaches its perfection. The will is always weak when compared with the strength of our prominent passions. If we wish to turn the scale in the right direction, we must get an equilibrium among the lower motives and have the instincts properly developed and balanced.

Primitive morality pictures the will like a strong house, braced and barred so as to withstand every blast of the

storm. Social morality would picture it like a house protected by a forest. The wind can whistle around it, but its force is broken so that i. can do no harm. The former attributes to the strength of the will what the latter gives to its forethought. The one makes it, in a measure, a physical quality; the other emphasizes its subjective nature. But the will is not to be thought of as passive, it is always active, though its leading activities are indirect. The productive power of an individual depends not so much on his muscular development as on the indirect preparation for the work, on his stock of goods, tools, buildings and materials. So, in consumption, the moral action depends not so much on the strength of the will, as on the size of the complements that have been formed by the indirect action of the will. These large complements are the result of the will's action in ejecting discordant elements, and in imputing the added pleasure in a way which makes the surplus of pleasure from these groups greater than from the older and smaller groups. If this work has been properly done, the choice of the right action is as easy as it is for a capitalist with his saving instinct properly developed, to choose the best form of production, when the choice involves greater or smaller quantities of capital. The creation of these complements is to the moral man what the tools and machines are to the workman. They change the line of least resistance, and enable results to be secured, which, otherwise, would be obtained only with great effort, if at all.

We can now return to the leading idea of the paper, with the hope of making some applications to the ethical training of children.* Two plans are possible, by which right conduct may be encouraged. On the one hand, the requital for evil deeds may be emphasized, a vivid picture of future punishment created, and thus the pleasure of the wrong action can be reduced by its associated evils, until the greater surplus of pleasure is on the side of right action. On the other

* Compare with De Garmo's, *Ethical Training in the Public Schools.*—ANNALS OF THE AMERICAN ACADEMY, March, 1892.

hand, the pleasure of right action may be increased by enlarging the complementary groups of pleasures, and thus the instincts and motives that induce the actor naturally to choose the right are strengthened. The first plan is best realized in our moral literature and criminal law; the second, in our economic activities.

Simplicity, and not variety of pleasures, is represented in our moral literature as the highest ideals of life, and thus the large complements of pleasures that are mainstays of a higher morality are concealed from view, or even worse, through the influence of ascetic ideals, pleasures as such are despised, and our complements of pleasures are reduced in size. The simple virtues of primitive men, with their strong passions and crude pleasures, are held up as models, when the more refined characters of modern life really possess a greater educational value. The young have been held to the right through their imagination, and the fear of the natural requital for evil deeds; the mature, who have passed beyond the imaginative period, by their fear of the criminal law.

The reduction of crime, however, is due more to the increase of economic activity, and to the consequent possibility of regular employment, than to the rigorous enforcement of our laws. Three solid meals a day break down the sympathy with theft, destructive revenge, and other crimes against property and good order.

The increase of our economic activities, moreover, changes the associations we have with the future. The primitive man associates pleasure with the present, and retribution with the future. The economic man thinks of the future as the place where he can realize the pleasure for which he is now preparing. The first man enjoys to-day and suffers to-morrow, while the other works to-day and enjoys to-morrow; his capital, the future goods of to-day, will then be his present goods, and ready for consumption. The imagination of the one will fill the future with horrid pictures of suffering which face him as a retribution of his past deeds; the imagi-

nation of the other creates an economic paradise where he will be exempt from present woes. Will the same literature serve as moral food for both of these classes? Must it not differ in character as widely as Dante's "Inferno" does from Plato's "Ideal Republic," or Bellamy's "Looking Backwards"?

Thus, in spite of the emphasis given to the primitive ideals and to the kind of imagination they demand, it is doubtful if moral progress of modern nations is due to these agencies. The trend of events was against the popular remedies for moral evils, and, if they had been the only force in action, there might have been a retrogression instead of a progression. The unseen growth of economic forces, however, has more than compensated for this possible loss. The larger complements of pleasures have made us moral in a natural way. With a greater surplus of present pleasure gradually forming upon the side of the right conduct, we have less need of an appeal to motives that revive our primitive feelings, and force us to fight the moral battle without the protection that our present economic environment can give.

The moral education should begin with lessons from the economic world, because the mechanism of morality is the same as that of the standard of life. Economic activity exercises the faculties which, at a later period, become moral. This education should begin with the small groups of pleasures which are vivid realities to the child, and seek to unite them gradually into larger complements. In this way, not only will the sum of pleasure be greatly augmented, but, with a more correct imputation of the pleasure that comes with the change, a natural bulwark is created, by which the isolated but strong animal passions are held in check. A habit will thus be acquired of ejecting from the consumption the discordant elements which prevent the formation of larger complements, and this habit will greatly strengthen the conscience when moral acts are in question.

This transformation of the consumption should be made on purely economic grounds. Each small evil should be as-

sociated with the concrete complement where it usually appears and is not to be allowed to amalgamate with other evils, forming a group so large as to disturb the normal order of the consumption. Do not bring in a great principle for a small end. Instead of using up the force of purely moral motives in getting the mechanism of morality in working order, economic motives which appeal to the same psychological principles should be employed, and the former reserved for a later period of a child's development, when he is more conscious of the subjective forces moulding his character. Conscious ethical training should be delayed until the economic motives are working in a normal way and have created the largest complements that the economic world can give.

Manual education furnishes excellent means for this end. It brings psychological principles into activity that are essential in morals, yet it secures its results by an appeal to motives that are active in the child. The pleasures it creates are at first weak, but they readily become parts of large complementary groups and thus control our actions. A greater variety is needed to satisfy the consumer trained in this way and he notices more quickly the lack of harmony which the absence of certain elements causes. The growth of artistic feelings creates a great complement of all the qualities seen by the eye; manual skill brings the different forms of construction into relation with one another; and cooking unites in the same way the various kinds of food.

The different ways in which paper can be folded causes the child to think of the various geometrical forms as one complement and he finds a greater pleasure from the harmony which he discovers through comparison. In sewing, the different kinds of stitching help to unite our clothing more closely into a complementary group. Complex associations arise which greatly increase the pleasure of the whole. It is easier to pass by association from one form to another and hence a defect is more jarring and a harmony more pleasing. The propensity to cut and destroy comes from the small

size of the groups of pleasures which the boy enjoys. If he associated in one group all the pleasures of the school room, a desire to injure the furniture would be held in check by the thought that it was a part of a group of pleasures and that he would reduce the pleasure of this group more than he would gain by his destructive act.

Compare the pleasure of a fisher and an observer of fish. The fisher thinks of the fish merely as a means of momentary enjoyment, a sensation with no associated pleasure. If he succeeds in landing the fish on the bank of the stream, the pleasure is complete. To the observer of fish, however, it is a part of nature. The brook, the trees, the birds, and other elements of natural scenery would lose a share of their beauty if the fish were absent from its place. His pleasure derived from nature is a unit due to the many pleasures that have blended into one complement, and no element can be lost without a serious reduction of the aggregate pleasure.

It is always possible for the teacher to aid his pupils in enlarging their groups of pleasures. Their capacity for enjoying associated pleasures gradually increases with their age and the teacher must be active in showing the natural groups into which their pleasures will unite. They must also be taught to eject the discordant elements which prevent the union of small into large complements. Too often the pleasures of children remain mere aggregates of sensations of a low character because they are unconscious of the increase of pleasure which a harmonious consumption will give.

In relation to the food supply there is a vast field for instruction. The grouping of food into the best combinations and the ejection of discordant elements are both matters of the greatest importance. Children should be taught how coarse foods and strong drinks would keep them from a full appreciation of the best combinations of food and they should be helped to form the habit of rejecting crude, isolated pleasures which prevent the formation of these larger groups.

In this way they will not only be better consumers of food, but also they will get into working order the moral mechanism upon which their ethical character will depend. Whoever would make mankind moral in a natural way must make his beginning and get his mechanism in operation in the economic world.

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SIR WILLIAM TEMPLE,

ON THE

ORIGIN AND NATURE OF GOVERNMENT.

In all the vast ranges of philosophy no problem, except religion and the genesis of things, has so profoundly exercised the minds of men as the origin, constitution and functions of the State. From the Books of Moses and the Republic of Plato down to Spencer's *Sociology* and Sidgwick's *Politics*, the nature and relations of that entity, which, in the language of the Realist and Nominalist alike, exists apart from ourselves and which is yet a composite of us all, has ever been the subject of subtle analysis and popular polemic. Each age and generation in its endeavors to comprehend the rationale of our social conditions and to maintain or lessen the predominance over the individual life of the body politic has had a political philosophy peculiarly its own. Just as in the great life struggle of the animate world, political theories have adapted themselves to their environment, the needs and conditions of the country and times. Again as in the physical world there have been "sports" in the realm of political speculation; theories prematurely brought forth, anomalous to the prevailing opinions of their day. Thus with the subject of the present discourse. Abnormally developed it lived and died with itself.

Among the world's original thinkers Sir William Temple deserves a high, but hitherto unrecognized rank. Renowned in the annals of English diplomacy as the negotiator of the Triple Alliance so instrumental in checking the conquests and arrogance of Louis XIV; the statesman who first formulated the present cabinet system of England; famous in his age as a polite scholar and essayist; the first master of clear, vigorous prose, the elegance of which surprised and delighted the readers of the learned but wearisome disquisi-

tions of the "judicious Hooker" and the abstractions of John Locke; whose essay upon "Ancient and Modern Learning" brought on that fiery contest of wit, sarcasm and violent expletives which ended in Swift's "Battle of the Books;" of him, Gosse in his "History of English Literature" very truly says: "For all that has been written about him he is still 'one of those men whom the world have agreed to praise without knowing much' of their claims to reputation."

It is, therefore, most essential in order to appreciate fully the views of Sir William Temple upon the origin and nature of Government that one should be thoroughly conversant with the history and doctrine of the Law and State of Nature and the "Social Compact" and the theory of the Patriarchal Origin of Society. Otherwise Macaulay's depreciative judgment* respecting the essay would have some slight justification.

I.

The seventeenth century witnessed the great constitutional struggle and its practical settlement for the English speaking peoples. Her philosophers and practical politicians manfully attacked the vexed questions of government and sovereignty. Its origin, nature and limitations; the rise, force and extent of law; the rights of peoples and prerogatives of crowns, these and similar problems taxed the minds of the most ingenious. While England's statesmen and patriots were confuting the sophistry of the divine right of kings by the logic of rebellion and regicide, her philosophers were searching the fields of pure reason for the vindication of the sovereign rights and dominant will of the people.

Richard Hooker in his *Ecclesiastical Polity* (1593) cut the gordian knot in the theory of the State of Nature and the "Social Compact," borrowing the notion in great measure from Thomas Aquinas, who got it from the Greek philosophers. In the beginning man was born into the natural state, free, unrestrained by the hand or will of his fellowmen. But by

* Collected Works, vol. 6, p. 280, Essay on Temple.

reason of "defects and imperfections which are in us living singly and solely by ourselves we are naturally induced to seek communion and fellowship with others. This was the cause of men uniting themselves at first in politic societies."*

Hobbes in the *Leviathan* (1651) in many respects adhering to the conception expounded by his great predecessor gave much greater prominence to the rôle played by natural law in the State of Nature. The laws which governed this prehistoric Elysium were "Justice," "Equity," "Modesty," "Mercy," and in sum "doing to others as we would be done to."† But Hobbes modified, in fact, assigned totally different reasons for the rise of government and society than those cited from Hooker. While the latter ascribes its beginning and necessity to the imperfections and disabilities of men, Hobbes discovers it in their warlike nature. Although primeval man was born into that peculiarly felicitous state of nature, surrounded by that intangible something denominated natural law, his anti-social nature defeated all its beneficent designs. The innate irresistible perversity of our primitive ancestors overwhelmed the all-pervasive law. Men were eaten up with passions and appetites, pride and contentions. With such belligerent elements the archetypal State of Nature became a State of War. Becoming weary of such continual, internecine struggle men obtained a respite by a mutual surrender of their immemorial individual rights. Their mutual agreement was cemented in the "Social Compact," and we have the beginnings of political society and government. The state and the machinery of government existed for the purposes of carrying out the provisions of that compact. The executive, whether tyrant,

* Ecclesiastical Polity. Bk. I., sec. 10. Hooker's purpose in writing *The Ecclesiastical Polity*, it will be remembered, was primarily to investigate and define the laws of church organization in order to fortify the English church against the attacks of the Puritans and Catholics. But in so doing he set forth the great underlying principle of all forms of organization, social and political, as well as ecclesiastical. It was with his profound and cogent arguments that John Locke, a hundred years after, did giant service in refuting the doctrines of the very Tory party of which Hooker had been such a prominent leader and source of strength.

† Part II. Chapter XVII.

elective monarch, council of ten, or representative body like parliament were simply the executives, or servants, of the will of the people, the aggregate of all the free and equal individuals entering into the agreement. Upon the due fulfilment of official duties and the pleasure of the people, the life of ministers, monarchs and governments is dependent.

The theory of the contract origin of government did not, however, emanate entirely from the *a priori* considerations of the political philosophers of the sixteenth and seventeenth centuries. Along with the notion of the divine origin of government and the dogma of the "divine right of kings," the idea that rulers were merely the administrators of the pacts of a people prevailed to an almost equal extent. The common political traditions and maxims of the times bear evidence of the universality of the theory of the Social Contract. The semi-legendary accounts of the introduction of law into Crete by Minos; the convention of Athens with Solon, of Sparta with Lycurgus; the quasi compacts and covenants of Moses and Joshua with the people of Israel, their assemblages for the selection of a judge or monarch; the choice of the kings and magistrates of Rome by the votes of the comitia; the dominance of the Spanish Cortez, and the Scandinavian Thing; the riotous independence of the Polish nobles in the Diet of Warsaw, the electoral college of the Holy Roman Empire; and in England the Wittenagemote of Anglo-Saxon times, the victory of Runnymede, the oath of the kings at their coronation to observe the laws and customs of the people and the famous compact made on board the *Mayflower*, all were the stock historical arguments of the exponents of the natural liberty of men in pamphlet, treatise and parliamentary debate.* The political essays and writings of prominent agitators and leaders like John Milton

* Since this was written an article in the *Political Science Quarterly*, December, 1891, "The Social Contract Theory," by Mr. D. G. Ritchie, also points out the very marked influence of the contract theory in the practical as well as the philosophical politics of the revolutionary epoch. Mr. Ritchie traces the theory back through Aquinas to Plato and the Sophists.

and Algernon Sydney* bespeak the common acceptance of the doctrine of the compact as the basis of society. Government was proclaimed a contract dissolvable at will. That which the people set up yesterday may be torn down tomorrow if such be their will.

Upon these premises of the conscious formation of social institutions, of the necessary and ultimate consent of the people in giving validity to any form of government or rule of law, the opponents of Stuart absolutism based their theories that crowned heads were amenable to the will of the people. By such philosophy the extremities and enormities of revolution were justified and insurgents exonerated.

Sir Robert Filmer in his famous tract *Patriarcha, or the Natural Powers of Kings*,† attempted to counteract "the rebellious consequence" of the theories of the school of natural liberty. His was a futile effort to veneer the tyranny, prodigality and profligacy of kings with the gloss of sacred

* Sydney's *Discourses on Government* written 1663 while exiled for his outspoken hatred of irresponsible royalty, afford ample proof of its prevalence. Although far from being so calm or close, or so profound a reasoner as Hobbes or Locke, his arguments, often fiery and sarcastic, are well supported by copious illustrations from ancient and contemporary history. Thus in the following passages: The law of nature is "the only law that God ever did, in a public manner, give to man. . . . All Israel was by command of God, assembled at Mizpeth to chuse a king, and did chuse Saul (1 Sam. x.): he being slain, all Judah came to Hebron, and made David King (2 Sam. ii): after the death of Ishbosheth, all the tribes went to Hebron, and anointed him King over them and he made a covenant before the Lord (2 Sam. v): when Solomon was dead, all Israel met together at Shechem; and ten tribes, disliking the proceedings of Rehoboham, rejected him, and made Jeroboam their King (1 King xii) . . . The histories of all nations, and especially of those that have peopled the best parts of Europe, are so full of examples of this kind that no one can question them. . . . The great matters among the Germans were transacted *omnium consensu; minoribus consultant principes; de majoribus omnes*. The "michelgemote" among the Saxons was an assembly of the whole people. . . . In the like manner when a number of men met together to build Rome, any man, who disliked the design might justly have refused to join it, but when he had entered into the society he could not by his vote invalidate the acts of the whole nor destroy the rights of Romulus, Numa and the others, who by the senate and people were made kings." (Ch. II., sec. v.) And again in sec. vi, "God did not only make the institution of a king to be purely an act of the people, but left it to them to institute one or not, as it should please themselves; and the words, 'whom the Lord shall choose' can have no other signification than that the people resolving to have a king, and following the rules prescribed by his servant Moses, he would direct them in their choice."

† Written before 1653, but not published till 1680.

inviolability and divine sanction. With a dogmatic assurance that seems strange to readers of to-day, he proclaims the world subject, in accordance with divine will, to the paternalism of kings. With the aid of strict, literal interpretation of Bible myths and stories, he denied that there ever was a time when men were free and equal. "When there were only two in the world one was master. When children were born, Adam was master over them. Authority was founded by God Himself in Fatherhood. Out of Fatherhood came Royality, the Patriarch was king."*

Some writers and biographers have given Filmer the distinction of first expounding the patriarchal theory of the origin of society. The perusal of his work, however, does not seem to warrant such a judgment. At best, his extremely partisan treatise was only a good condensation and paraphrase of the Mosaic account of creation and the history of man in the first five books of the Bible, together with a few apt quotations from Plato, Aristotle and the patristic writers. Furthermore there is nothing approaching a scientific exposition of the patriarchal theory, such as we know it from the writings of Maine and Spencer. Besides, what claim he had to priority of application is invalidated by the much clearer and by far the more scientific treatment of the same subject by Aristotle. What Filmer has unrivalled claim to, however, is the embodiment and setting forth in his *Patriarcha* of paternalism in government. While this doctrine formed, no doubt, a cardinal belief of the writers and thinkers of that and former ages, yet it seems irretrievably connected with the apologist of the divine right of kings.

In 1689 Locke wrote his *Two Treatises of Government*, the philosophical justification of the Revolution of 1688. In the first he devotes all his energy to overthrowing the "false principles and foundation of Sir Robert Filmer and his followers." In the second he accepts without modification the views of Hooker regarding the rise and nature of society.

* Introduction to Locke on Government; Morley's Universal Library.

With him as with his predecessor the entire social fabric rests upon the conception of the compact. Not only society in the aggregate, but the social unit, the family, exists because of a compact; the relations of husband and wife, of parents to children, are due to a contract between the several members, and may dissolve by consent or dissent.*

It may be remarked in passing, as Mr. John Morley has pointed out in regard to Filmer† that Milton, Sydney and Filmer were better historical students than either Hooker, Hobbes or Locke and later Rousseau. They took the best historical records and materials extant to substantiate their theories. Whereas Hooker and the philosophers assume as a basis "a non-historic, unverifiable condition of the race."‡

The great part played by a similar conception in giving shape and direction to the laws and institutions of Rome and those arising out of her ruins must also be constantly borne in mind. One of the most important factors moulding and expanding the great system of Roman jurisprudence was the *Jus Naturale*. Originally meaning the observed order of phenomena, the sequence of cause and effect in the physical world, the Stoics by one of those subtle mental transpositions, so common in progress of thought, conceived of the harmonies of nature, as representing the pristine perfection of man, of which the poets sang and all men longed for and strived to reach. Borrowed from philosophy by the Prætors and *Juris Prudentes* the Law of Nature was used by them to modify and extend the rigid, strictly local and national law of Rome into that great system of jurisprudence, comprehensive and universal in its application, the code of Justinian.§

With the Romans, however, although in its final analysis it implied a prehistoric state, regulated by Natural Law, the

* Essay on Government, ch. vi, sec. 56, 57, compare with the same idea in Rousseau's Social Contract. Bk. I, ch. ii.

† His Rousseau, ch. on "The Social Contract."

‡ Maine's Ancient Law, p. 114.

§ Maine's Ancient Law. Chap. III. Muirhead, Roman Law. Part IV. Sec. 55.

jurisconsults ever regarded it as "something entwined with existing institutions."* This conception served a two-fold purpose, both as a makeshift and as an ideal. It kept before the eye of Roman lawyers "a type of perfect law, and from its inspiring the hope of an indefinite approximation to it, at the same time it never tempted the practitioner or the citizen to deny the obligation of existing laws which had not yet been adjusted to the theory."†

The French lawyers who were the immediate heirs of the Roman jurists transmitted the doctrine of a Law and State of Nature to the politics of the middle ages. The rapid growth of absolute monarchy in France was largely due to the harmony and co-operation between the crown and the interpreters of law and custom. Here again it was made a means of fixing and strengthening existing social arrangements. Its work was constructive. It emphasized the present with an eye to the future.

But such a use of the Law of Nature by the ancient and mediæval jurists was something radically different from that to which it was subjected by the English philosophers of the seventeenth century. It may be true, as Maine says, that "the Lockeian theory of the origin of Law in the social compact scarcely conceals its Roman derivation."‡ Nevertheless, the theory of Hobbes, we have seen, expressly repudiates the previous existence of a beneficent State and Law of Nature as conceived of by the English Ecclesiastic and the Roman Lawyers. Hooker, Hobbes and Locke turned upside down the Roman conception; it was not the Law but the State of Nature, which was the chief object of contemplation.§ All their teachings revert to the State of Nature as a thing of the past and not as "entwined with existing institutions." A century later the anarchistic cry of Rousseau "Back to Nature!" was in great measure an echo of the

* Ancient Law, p. 73.
† *Ibid*, p. 77.
‡ P. 114.
§ P. 88.

English controversy. The theory as expounded by these men was destructive, subversive of present political arrangements.

But these dogmas of the exponents of natural liberty grew out of the needs of the times, and they served a magnificent purpose. Political writers sought a fulcrum upon which to rest the lever of the right of revolution against the irresponsibility of kings. Agitators wanted a shibboleth of political propaganda and they obtained it in the cry of Natural Rights.

The history of the theory that society had its origin in separate families, held together by the power and authority of the house-father, must also be kept in mind, or we shall not be able to judge correctly of the originality of Temple's ideas upon this subject or appreciate how much he departed from the dominant views of that and the succeeding century.

The great epic poems of Greece and Rome, the books of Moses and the legends and traditions of many nations presented pictures of the patriarchal organization of primitive societies. But they were simply pictures, traditional descriptions. Nothing approaching an analytical treatment of the theme can one find. Plato in the *Laws* (Bk. III, 680), Aristotle in his *Politics* (Bk. I, 2) set forth the theory. The former briefly, the latter enunciates the theory in a logical, compact statement that has not been much improved upon by modern investigators. But it was introductory merely to his extended treatment of slavery and is not elaborated. Again we must remember that the society which he saw about him was organized upon the patriarchal and tribal plan. The family was the unit. Aristotle could not well conceive of any other.

Furthermore, we must not forget that the theories of Aristotle suffered the common fate of Greek philosophy during the dark ages. Aristotelianism itself had been dealt some vigorous blows by Bacon in the early part of the seventeenth century and had fallen into general disfavor. Its correspondence with the story of Genesis alone kept his theory of the

patriarchal beginnings of society alive. "Its place" says Maine, "was taken by the *a priori* theories of the State of Nature which long satisfied curiosity as to the original condition of mankind. Its revival may be said to be owing to Niebuhr's discovery of the Commentaries of Gaius."*

With this hurried sketch of the theories of political and social origins we can begin our study of Temple in a more appreciative and intelligent manner; aware of the times in which he wrote, the materials he had to work with and the current of philosophy against which he had to force his opinions.

II.

In 1672, eight years before the publication of Filmer's work and nearly twenty before the treatises of Locke, with the theories of natural liberty filling the air and almost universally accepted, Sir William Temple wrote his *Essay upon the Original and Nature of Government.* His purpose, like that of Sydney and Locke, was the justification of the popular will and the demonstration of its right to rule the policies of State and the procedure of administration. But he revolted from prevailing theories. He blazed his own path through the interminable books and dogmas of that prolific period. He threw aside as worthless both of the conflicting doctrines. Impressed only with the palpable errors and absurdities of contemporary theories he discarded good as well as bad. Their advocates he regards as visionaries, and often speaks of them with mild sarcasm.

Temple's political activity had brought him into touch with the social and political life of mankind. He had helped to guide the course of political energy and to manipulate social forces. He had had excellent opportunities to observe the individual and corporate actions of men under a would-be absolute monarchy and under a republican *régime;* and he clearly perceived the sophistry and inadequacy of the reasonings of both "the schools." The antecedent state and law of nature, the much-mooted compact of our most

* Early Law and Custom, p. 197.

happily situated but perverse ancestors, he regarded as the height of vagaries and delusions.* Over against the *a priori* assumptions of the closet philosopher he sets the facts of his own observation and his interpretation of the facts of history. As his goal is the same, he reiterates in his own way, many of the cardinal principles of the Natural Liberty School. But in his critical analysis of the genesis and ultimate sources of government, law, authority and institutions he delved much deeper than his predecessors or immediate successors. Probably unacquainted with Filmer's unique apology for royal license, Temple developed into a well-rounded theory what is now known as the Patriarchal Theory of the Origin of Society; and, what redounds more to his credit, his conclusions have not been changed or even modified by the researches and investigations of this crucial century.

The thesis which Temple desired to establish in the minds of political thinkers and agitators was that crowned heads, however powerful or long their continuance in power, were yet accountable to the people; that their tenure and privileges of office rested with the opinion of the masses. It is in demonstrating this doctrine that he sets forth the theory of the origin of government and assigns the proper place to custom in the formation of law and the evolution of social institutions. Government, he maintains, is an outgrowth of man's necessities; law, the crystallization of custom and precedents; society, a creature of history and circumstances and a development from meagre beginnings. His exposition of this growth and his consideration of all the forces and influences bearing upon a national character are quite adequate and comprehensive.

The source and conditioning factor of government, he discovers in the family. Upon the development of this

* Temple's Works, Vol. I., pp. 37, 38, 39. All references here are to the edition published in London 1774. Temple was perhaps the most popular and most widely read essayist of the eighteenth century, and his writings went through numerous editions. I have been able to find mention of ten. The order of contents in the different editions varies.

social unit depends the character of the social aggregate. He grasps clearly the fundamental idea that underlies all law and institutions, namely, that they are a growth, an evolution. Modern society and government arose, he tells us, not from any self-conscious act or determination but as the result of an unconscious bending to conditions and surroundings. Its structural formation is moulded, modified, and directed by circumstances, by situation, by climate, by innumerable minute but character-shaping forces. He discerns with the insight of Buckle or May the subtle but powerful influence of soil, scenery, physical environment, of food stuffs even, upon the physical, intellectual and moral energies and character of a people. The opening paragraph of the essay is illustrative of his attitude in looking into the history of men and governments.

"The nature of man seems to be the same in all times and places, but varied like their statures, complexions and features by the force and influence of the several climates of which they are born and bred; which produce in them by a different mixture of humors and operation of the air, a different and unequal course of imaginations and passions and consequently of different discourses and actions. These differences incline men to several customs, educations, opinions and laws which form and govern the several nations of the world where they are not interrupted by the violence of some force from without, or some faction within, which, like a great blow, or a great disease, may either change or destroy the very frame of a body; though if it lives to recover strength and vigor, it commonly returns to its natural condition, or something near it."

In the presentation of Temple's views his own order as given in his essay will be followed in the main. In nearly all of his other writings he makes occasional observations upon the nature and growth of society, and where especially applicable they will be freely incorporated here.

Reading the history of the various nations of the world and comparing governments, past and present, Temple con-

cluded that the many and diverse forms of state and sovereignty could be classified under two main heads.* One is the monarchical where sovereignty is vested in one head who exercises it with or without conscious reference to the wishes of his subjects. The other is the Commonwealth, where "certain orders or laws introduced by agreement or custom" control the actions of the body politic. Like Aristotle he considered a pure democracy the worst of the undesirable forms of government and for practically the same reasons.†

With the natures and dispositions of men practically the same in all times and places what, asks Temple, is the ultimate guarantee of law and government, what insures the capability and efficiency of the state; what was its origin and what were the forces tending to cause its multiform development? The analysis of political phenomena shows society held together by organized force; its origin he discovers in the social, gregarious instincts of men; and its development conditioned by circumstances.

The phenomena of monarchical rule and popular government, he explains, by a differentiation and development of one and the same institution, the family. Both forms have their beginning in the organization of the family and the despotic authority of the house father in primitive times. The absolute supremacy of the patriarch arose from the natural relations of parent to offspring. What we may call the natural authority of the father began with the helpless state of the child. Its utterly dependent condition, the anxious care and constant protection needed during its formative periods; the labors and deprivations the parent undergoes in order to sustain its life; the supervision of its training and guidance as to what is good and evil, these and many other reciprocal relations augment the father's so-called natural right to obedience and the duty of the child

* Pp. 30–35.

† P. 46.

to give it.* "Law is the parent's word in early society." † It is in this unconscious or, if necessary, forced submission to the will of the *pater familias*, and in the growth of the *patria potestas* that Temple interprets the facts of society, law and government. The patriarch by this natural right and authority becomes the governor of a little State "and if his life be long and his generations many (as well as those of his children) he grows the governor or king of a nation and is indeed a *pater patræ* as the best kings are." ‡

On the death of the father this power and authority is transmitted to the eldest son, provided he display those qualities and attributes which command respect and obedience.§ But, if he lacks these prerequisites, or dies before the father and leaves a child as his heir, then the next son is chosen to the headship, or what is more probable, thinks Temple, the brothers form a counsel of elders. Here we have the first conscious exercise of the will and choice of the members of this diminutive state.

This is the inception of that change soon to develop into an aristocracy with a marked tendency towards oligarchy.‖ Should the members of the community congregate in towns and cities and become active in trade and increase in riches, then a commonwealth is the probable evolution, for reasons to be assigned. A commonwealth, he considered, as no more than the expansion and extension of free cities, founded either at the instance of some great law-giver or formed into their peculiar form by convenience or the pressure of war.¶

With the growth of families into clans and their union into tribes and finally into nations comes the separation of the powers and functions of the patriarch and king. Religious,

* Pp. 39-43; compare with Locke, Government. Book II., ch. v. secs. 58, 66, 67, where he all but reaches Temple's view.

† Maine.

‡ P. 41.

§ P. 45.

‖ P. 46.

¶ P. 48.

judicial and executive duties become specialized in priests, judges and kings, consuls and magistrates. Status and the ties of blood no longer entirely regulate as in the most primitive forms of organized society, the occupancy of office. The exclusive enjoyment of official privilege is lessened and finally taken away by resident opposition, rebellion and a growing consciousness of power in men. Authority comes more and more to be the expression of popular conviction and will.

During all these stages from the patriarchal to the democratic form of government the ultimate source and guarantee of authority, Temple asserts, is in the opinion and consent of the members of the community. True, it may be silent, but it is most potent. This opinion is due to their knowledge of the goodness, piety or divine favor of the prince or ruler, the valor, eloquence, cunning or other personal distinctions of their chief.* The peaceful submission to them and their descendants is aided by a long line of predecessors. Tyranny and absolute monarchy "is by nothing so much strengthened and confirmed as by custom. For no man easily distrusts the seasons, or disputes the things which he and all men that he knows anything of have always been bred up to observe and believe."† Temple gives us the very pith of political philosophy in these words.

Nor can any one person or party hope to change the form or offices of government unless by a display of the aforementioned characteristics they can show the people that their rights and customs have been transgressed.‡ This is the explanation of the submission of a people to the demands and impositions of tyrants. They or their ancestors had exhibited qualities and abilities which commended them to the suffrages of the people. Custom and that political lethargy which comes with long continued oppression exerts the most powerful influence in constraining men to a passive obedience.

* Pp. 35-36.
† P. 37.
‡ *Ibid.*

Temple advances a perfectly valid argument in support of the idea of kinship underlying nationality by adducing the words designating rulers and countries among different peoples.

"The peculiar appellation of the king, in France, is the name of *Sire*, which in their ancient language is nothing else but father, and denotes the Prince to be the father of the nation. For *a nation properly signifies a great number of families, derived from the same blood, born in the same country, and living under the same government and civil constitutions;* as *Patria* does the land of our father, and so the Dutch, by expressions of dearness, instead of our country, say our fatherland."*

The definition of a nation, which I have italicized, is an exceedingly comprehensive one. Compared with those given by our modern publicists it is most admirable and worthy of no little attention. While not so compact as that of Bluntschli's, "the State is the politically organized people of a particular land," or so elaborate as that of Mulford,† yet the essential characteristics of a national polity are correctly and succinctly set forth.

Continuing his argument for the patriarchal beginnings of government Temple adduces as proof the immemorial terms of address and salutation in court language and ceremony. Curiously enough Herbert Spencer in showing the evolution of modern manners and fashions from the circle of the primitive family brings forward the very same examples.‡

"These seem to have been the natural and original governments of the world, springing from the tacit deference of many to the authority of one single person. Under him (if the father of the family or nation) the elder of his children comes to acquire a degree of authority among the younger by the same means the father did among them and to share with him in the consultation and conduct of their common

* P. 41.

† *The Nation*, ch. i.

‡ Collected Essays, Vol. III, p. 20. *Manners and Fashion.* Principles of Sociology, Vol. II, pp. 164–166, ch. on Titles.

affairs. And this, together with an opinion of wisdom from experience, may have brought in the authority of elders so often mentioned among the Jews; and in general of aged men. . . . For the names of Lord, *Signior*, *Seigneur*, *Señor*, in the Italian, French and Spanish languages, seem first to have imported only elder men, who thereby had grown into authority among the several governments and nations."*

"Thus a family seems to become a little kingdom and a kingdom to be but a great family;"† or to quote the words of Professor Woodrow Wilson, "State is family writ large."‡

In the causes which Temple assigns for the rise of commonwealths, he shows his intimate acquaintance with political life. And what is more, he fully perceives the important part played by trade and commerce in giving shape to political societies and institutions. His observations upon their civilizing influences are not unworthy of comparison with the words of John Stuart Mill and Herbert Spencer.

The commonwealth is due to the disintegration of monarchy, brought about by the crowding of people into towns and cities, and the increase of material prosperity and commercial activity.§ It may be due to any one or all of three causes. (*a*) The close contact and association of citizens with each other which city life necessitates destroy that sanctity and mystery surrounding the person which is so essential to the monarch in preserving his sway over the popular mind. The opportunities for conversation and communication sharpens men's wits and they pierce through the shams and pretences of royalty. (*b*) The small compass of the city renders councils, assemblies, and public discussion a matter of little or no inconvenience. (*c*) Great wealth and a flourishing trade make men more independent and self-sustaining. They seek safety and freedom from the violence and caprice of kings; and these are better conserved by laws and magis-

* Pp. 41, 42.

† P. 42.

‡ The State, p. 3.

§ Pp. 32, 33.

trates chosen by popular election, than by the uncertain protection of an arbitrary ruler.

Whereas, in agricultural and pastoral countries, thinly and sparsely settled, the opposite is true. People are poor and hard pressed for a livelihood. There is little to stir their ambitions or arouse the spirit of independence. Their faculties are dull and slow of action; "having little to lose [they] have little to care for and are less exposed to the designs of power and violence. The assembling of persons, deputed from people at great distances from one another, is a trouble to them that are sent, and a charge to them that send. And, where ambition and avarice have made no entrance, the desire of leisure is much more natural than of business and care: besides, men conversing all their lives with the woods and the fields, and the herds, more than with one another, come to know as little as they desire; use their senses a great deal more than their reasons; examine not the nature nor the terms of power and authority; find only they are fit to obey, because they are not fit to govern; and so come to submit to the will of him they found in power, as they do to the will of heaven, and consider all changes of conditions, that happen to them under good or bad Princes, like good or ill seasons, that happen in the weather and the air."*

His observations upon the effect of commerce and the form of government on the religious life and institutions of men are extremely interesting and most excellent withal. The activity and demands of trade and the freedom of intercourse permitted in a commonwealth tend to the levelling of creeds, customs and ceremonies. Men become less bigoted, sects less intolerant and more harmonious. In his delightful chapter describing the religious life of the industrious Dutch he observes:

"The differences in opinion make none in affections, and little in conversation where it serves but for entertainment and variety. They argue without interest or anger; they differ without enmity or scorn; and they agree without con-

* P. 33.

federacy. Men live together, like citizens of the world, associated by the common ties of humanity, and by the bonds of peace, under the impartial protection of indifferent laws, with equal encouragement of all art and industry, and equal freedom of speculation and inquiry; all men enjoying their imaginary excellencies and acquisitions of knowledge with as much safety as their possessions and improvements of fortune. The power of religion among them, where it is, lies in every man's heart."*

His views concerning the origin of slavery and the use of mercenary soldiers are generally in harmony with more modern investigations. Slavery, he says, comes into existence when men, desirous of escaping the drudgery and heavier toil of life, make forays upon neighbors for servants. Or the victims and captives of inter-tribal warfare are given the choice of slavery or death. Fugitives from other tribes "sell their liberty to be assured of what is necessary for life." The self-surrender of those "debased natiues" "who seem born to drudgery," and those "who are content to increase their pains that they may lessen their cares" are also means of maintaining slavery.† There is not, however, any belief in the foreordination of certain men or classes of men to servitude as in the Aristotelian conception. His observations on the position of the slave in the household and the privileges due him are more descriptive of feudal servitude than of slavery in the primitive family.

Mercenary soldiers came into requisition when kings lost the good opinion of the people. Such a one was called a Tyrant, who used his subjects like servants, and "thinks he can not be safe among his children but by putting arms into the hands of such of his servants as he thinks most at his will; which was the original of guards."‡

Enough has been given to outline Temple's theory of the development of government and society from the family organization. So far as it pretends to deal with primitive

* P. 181.
† P. 43.
‡ P. 44.

forms of political life, no material addition could have been made except what one could now add in the way of corroborative evidence from modern studies in historical and comparative jurisprudence and anthropology. We do not find any extensive treatment of ancestor worship or of the great rôle played by religion in early and barbarous communities of which we learn so much in the works of Tyler, Maine, Spencer, and de Coulanges. But he, everywhere, appreciates the tremendous influence of religious feelings and institutions in keeping the social balance and moulding the lives of men and States.* He notes and adds some sensible comments upon primitive forms of marriage. The community of wives and many of the customs which now seem repulsive to modern civilization, he justifies on the grounds of necessity and utility.† We might infer from several passages in his writings that he apprehended the fact of the common ownership in land and all the phenomena attending that mode of life, but he offers no definite statements regarding his views.

III.

From the standpoint of the student of early law and custom, nothing in Temple is of greater interest than his ideas concerning the place of custom in the formation of law. The theories of Bentham and Austin concerning the nature and exclusiveness of positive law were so universally accepted during the last half of the last century and the first of the present, that we are wont to refer their modification and the introduction of the historical and comparative treatment of law to the efforts of Savigny and Sir Henry Maine. The doctrine that the groundwork of law and wise legislation is to be found in the persistent habits, usages and customs of a people is continually pointed out in the various essays of Temple. "Custom . . . grows to pass for a right, as all custom does with length and force of time." "The Prince that governs according to the conditions of subjec-

* Vol. III., pp. 74, 75. Introduction to the History of England.

† *Ibid* pp. 75, 76.

tion at first agreed upon (of which use is the authentic record) and according to the ancient customs, which are the original of laws (. . .) is called a lawful sovereign."* Creeds even, church ceremonies, religions themselves, as well as laws, "come to be established by the concurrence of men's customs and opinions."†

Upon the due observance of the laws and customs indigenous to the soil and dispositions of a people depends the security of governments; especially those imposed upon newly conquered races. In his somewhat eulogistic defence of the acts of the Norman conqueror Temple dwells most upon his wise, sagacious policy of respecting the Anglo-Saxon laws and making them the foundation of his reforms and innovations. His chief purpose in his short sketch of early English history is to show that the conquest was not a complete breaking with the past. The old laws and customs were not abolished. The national life of the people was unbroken.‡ Thus again in the measures proposed by him for the advancement of Irish trade, he says that this people requires special enactments in order to meet their peculiar conditions and modes of life, resulting from the many misfortunes which had befallen them in their varied history.§

Always happy in his use of metaphor and trope Temple illustrates the continuity of national life and the organic nature of society by one of the most felicitous figures in the English literature. It is not only a specimen of literary elegance, but it is a passage pregnant with political wisdom. "All great changes, brought about by force or address, in an old constitution of government, rooted in the hearts and customs of a people, though they may in time prove an increase of strength and greatness (when fallen into method and easy by use) yet, for many years, they must needs

*Vol. I, p. 47.

†Vol. I, p. 173.

‡ Vol. III, pp. 118, 123, 130-137, 160-164. Introduction to the History of England.

§ *Ibid*, p. 6-8.

weaken it, by the divisions and distractions of men's minds, and the discontents of their humors. . . . The breaking down of an old frame of government and erecting a new, seems like the cutting down of an old oak and planting a young one in the room. 'Tis true, the son or grandson (if it prospers) may enjoy the shade and the mast; but the planter, besides the pleasure of imagination, has no other benefit to recompense the pains of setting and digging, the care of watering and pruning, the fears of every storm and every drought; and it is well if he escapes a blow from the fall of the old tree, or its boughs, as they are lopped off."*

Throughout his entire dissertation and in his other writings Temple recognizes the necessity for the existence of government. The State grew out of the strivings of men to satisfy their wants and needs. It continues in existence for the sake of a higher and better life. "The end of government" is "the *salus populi*."† "Government is a restraint upon liberty and under all [forms] the dominion is equally absolute." When men contend for liberty it is not to abolish government, but to change the form. Men instinctively know that society and civilization is not possible without it. They, therefore, submit to the power of one man, not from fear or "want of heart, but it must be force of custom or opinion, the true ground and foundation of all government and that which subjects power to authority."‡

The State is the embodiment in law and the mechanism of administration of the social, gregarious instincts of men. It is organized force and authority backed by the will of a people for the effectuation of the ends of life. By its exercise alone is individual life and progress possible. In the equalization of the conditions of life, and the lessening and removal of the inequalities of nature the State is indispensable. The improvement of trade and industry, the raising of the level of competition and the bettering of social life and

* Vol. II, pp. 213, 214. A Survey of the Constitutions and Interest of European countries written to the Secretary of State on leaving the Hague, 1671.

† Vol. III, p. 47.

‡ Vol. I, p. 34.

surroundings, Temple points out, is only brought about by the constant intrusive co-operation of the State.* The corporate action of society must coerce men into right living. The State must do for the individual what he or a combination of individuals can not do for the best interest of all. The solidarity of society, the intricate and immediate relations of every social factor with all others, he perceives in a very marked degree. He dwells long upon the power a government has of raising or lowering the intellectual capabilities, industrial energy and moral character of men by the part it plays in those spheres of action.

The principle, Temple gives, which should guide the State in its participation in social and industrial affairs is eminently utilitarian. That exemplary Dutchman whom he held up before Englishmen as the thrifty merchant *par excellence*, he frankly tells us, was honest because he found it wise policy to be so. In the beginning he had been forced by the demands of trade to be upright and law-abiding and afterwards the custom grew upon him. The United Provinces had discovered by long experience that strict laws relating to the purity and genuineness of their wares and their rigid enforcement had been of incalculable value to their merchants. Upon this simple basis of utility and the sovereign right of the majority to direct its own affairs Temple rests the criterion for State action.

One thing the reader will observe in a study of the works of Temple, and that is, he was a student of men and history. He possessed the true historical and comparative spirit in treating politics and institutions. Like Mr. Bryce in describing the American Commonwealth for Englishmen of to-day, Temple traces for the statesmen of his time, the growth, character and influence of the institutions of the Dutch Provinces;† and he shows for the same purpose "the steps of trade and riches, of order and power in a State, and

* Vol. III. Essay on the "Advancement of Trade in Ireland;" also essay on "Popular Discontents."

† Vol. I. "Observations Upon the United Provinces," especially chapters ii, iv and vi.

those likewise of weak or violent counsels, of corrupt or ill conduct, of faction or obstinacy, which decay and dissolve the firmest governments; that so, by reflections upon foreign events, they may provide the better and earlier against those at home." * Again in his letter to the Secretary of State, after completing his embassy at the Court of the Hague, 1671, he writes: "The decay and dissolution of civil as well as natural bodies, proceeding usually from outward blows and accidents, as well as inward distempers or infirmities, it seems equally necessary for any government to know and reflect upon the constitutions, forces, and conjunctions among their neighboring States, as well as the factions, humors, and interests of their own subjects; for all power is but comparative." † "Example or instruction . . . . are the great ends of history and ought to be the chief care of all historians."‡ "None can be said to know things well who does not know them from their beginning."§ Verily historical and comparative politics is not a new science.

Summing up his considerations on the sources and adaptations of governments this seventeenth century statesman and diplomatist, enunciates a principle of historical inquiry which is but gradually being accepted, even in this day, when students are beginning to recognize the relativity of theory and the relative merits of institutions. It is remarkable in its complete recognition of the necessity of historical knowledge and study in passing judgment upon the relative merits and demerits of past and present forms of human society. He writes as follows:

"I will not enter into the arguments or comparisons of the several forms of government that have been, or are in the world . . . . they have all their heights and their falls, their strong and weak sides; are capable of great perfections,

* Vol. I. Preface to Observations

† Vol. II, pp. 205, 206.

‡ Vol. III, pp. 187-8

§ *Ibid*, p. 69.

and subject to great corruptions; and though the preference seem already decided in what has been said of a single person being the original and natural government; and that it is capable of the greatest authority (. . . .) yet it may, perhaps, be the most reasonably concluded, that those forms are best which have been longest received and authorized in a nation by custom and use; and into which the humors and manners of the people run with the most general and strongest current. Or else that those are the best governments, where the best men govern; and that the difference is not so great in the forms of magistracy as in the persons of the magistrates;" * and in another connection: "Were the constitutions of any government never so perfect, the laws never so just; yet if the administration be ill, ignorant or corrupt, too rigid or too remiss, too negligent or severe there will be more just occasions given of discontent and complaint, than from any weakness or fault in the original conception or institution of government." † "The life of all laws is the due execution of them, so the life and perfection of all governments is the due administration." ‡

IV.

Such, in brief, is a *résumé* of Temple's theory of the origin and nature of government. The radical dissimilarity between his and the conflicting doctrines of the "schools" is manifest. His opposition to the notion of a social compact lead him so far as to deny that man was a social creature, possessed of a love of company and all that it implies. While, on the other hand, he was unable to accept the view that men were beasts of prey, continually waging a war of extermination upon each other.§ The "struggle for existence" and "the survival of the fittest" had no meaning in his political vocabulary. He claimed that nature herself controverted

* Vol. I, p. 50.

† Vol. III, p. 41. Popular Discontents.

‡ *Ibid*, p. 57.

§ Vol. I, pp. 37-39, 46.

both propositions. The so-called socially inclined fight in hunger and in lust. The bull and the ram, like lion and the wolf, wage equally fierce battle for the gratification of their wants and passions. A life struggle, in the Darwinian sense, was to him a mere imagination of the expounders of a theory unwarranted by the facts of nature. Granting some truth, even, to such an hypothesis, he was unable to catalogue the different races and peoples with any degree of profit or consistency. Customs, manners, institutions, all the phenomena of societies vary so much and overlapped within themselves so constantly that it would prove a useless as well as an impossible task to try to make any such logical division of men and governments. "Nor," says he, "do I know if men are like sheep, why they need any government: or if they are like wolves, how they can suffer it." Struck solely with the false reasoning involved in both antagonistic theories prevalent at the time, Temple, here, fails to grasp the fundamental truths contained in them. Society is the manifestation and equilibrium of both dispositions, social and belligerent. His own account of the rise of society contradicts his words here. But one can well pardon this slight slip in rigid consistency of argument.

Like all opponents of the "social compact" in our day, he desires its advocates to cite any instances of such convention; or the coming of a people together for the express purpose of launching a new State. No nations or governments within historic knowledge would substantiate their claim. Those nations of antiquity that seem to give some shadow of validity to conscious formation prove his own theory. At the instance of a noted man, as Solon or Lycurgus, Athens and Sparta assumed a peculiar constitution. But previously existing customs were merely crystallized into more definite form, the different orders and institutions of those cities were amalgamated into a more workable shape: "and where this has not happened the original government lies as undiscovered in story, as that of time."*

* Vol. I, pp. 39, 49.

Even in those cases where tribes unite to form a nation and thus give some color to the contract, it is not as single persons but as heads of large families and clans that a compact is in a manner drawn up. It is therefore those who have attained to a position of power and authority in the family and who act as representatives of a political organism.* No change or revolution in the modes of life is affected, as Hooker, Hobbes, Locke or Rousseau would have us believe. The contract origin of the State he regarded as consistent only with the fabulous stories of ancient classic poets. Were men born into the world, Titan-like, perfect in stature, full developed in all their mental faculties, the theory might then be true or at least plausible.†

Thus in opposition to the current of philosophy of his century, along totally different lines of reasoning, Temple arrived at the same conclusions which have been the objects of the great thinkers and agitators of the last three centuries of struggle for civil liberty. Piercing through the captivating sophistry of the social compact, uninfluenced by arguments drawn from Hebrew legends, or the dogmatism of the defenders of the Stuarts, he builds his theory of government upon the broad foundation of the necessities of man and the customs and consent of a people, "Or the greatest or strongest part of them; whether this proceed from reflections upon what is past, by the reverence of an authority under which they and their ancestors have for many ages been born and bred; or from a sense of what is present, by the ease, plenty and safety they enjoy; or from opinions of what is to come, by the fear they have of the present government, or hopes from another."

Here follows his famous comparison of the State to the pyramid, a simile justly celebrated in the literature of his own and following century, and which is still a favorite with writers of to-day.‡

* Vol. I, p. 39.

† *Ibid.*

‡ See the figures of the inverted and upright pyramids representing Monarchy and Democracy on the front of Andrew Carnegie's "Triumphant Democracy."

"Now that government which by any of these, or all these ways, takes in the consent of the greatest number of the people, and consequently their desires and resolutions to support it, may justly be said to have the broadest bottom, and to stand on the largest compass of ground; and, if it terminate in the authority of one single person, it may likewise be said to have the narrowest top, and so to make the figure of the firmest sort of pyramid."

"On the contrary, a government which by alienating the affections, losing the opinions, and crossing the interests of the people, leaves out of its compass the greatest part of their consent, may be justly said . . . to narrow its bottom; . . . by this means the top may be justly said to grow broader. . . . The stability of the figure is by the same lessened and impaired; . . . it begins to grow subject to the accidents of wind and weather." . . . "and the more endangered by every storm in the air, or every shake of the earth."

"'Tis true that a pyramid reversed may stand a while upon its point, if balanced by admirable skill, and held up by perpetual care, and there be a calm in the air about it; nay, if the point be very hard and strong, and the soil very yielding and soft, it may pierce into the ground with time, so as to grow the firmer the longer it stands;* but this last can never happen if either the top of figure be weak or soft, or if the soil be hard and rough."†

One may search long and diligently, and perhaps then in vain, to discover a figure surpassing this in its perfect symbolism.

V.

But what of Temple's place in the procession of political philosophers? Surely the calm judgment of the judicial

Professor Bryce in speaking of the excellence of popular government by public opinion compares it to the pyramid. He traces the use of the metaphor back to our constitutional convention.—Elliot's *Debates*, vol. II, p. 542.

* The present deplorable condition of the people in Turkey is a remarkable instance of national life being crushed out by the weight of a monstrous tyranny.

† Vol. I, pp. 51, 52.

Hallam, that "he has the merit of a comprehensive and candid mind," * must needs meet with our approval. Considering the almost universal domination of the theories of natural liberty and of the social contract in the seventeenth and following centuries; remembering what a stupendous influence these ideas had for good and for evil in the American and French Revolutions; knowing that their ascendency in economic, social and political reasoning was not overthrown until the historical and comparative studies in law, politics and sociology of the last half of this century, Temple's essay upon government holds a truly unique place in the evolution of political theory. It was, indeed, a "sport" in the realm of philosophy.

The essay is the more remarkable in the fact that it did not presume to be a profound and pretentious treatise, the result of comprehensive studies, research and reflection. Temple, although he was very far from being superficial, was not a profound thinker and thorough-going student. He was a man of the world who loved his leisure and country retreat; a diplomat, suave, affable, dignified, who concerned himself little about the bothersome subtleties of dialectics, but took his delight in the amenities of the drawing room, or sought refuge from the plots and intrigues of statecraft in the genteel occupation of writing polished essays and charming memoirs. He frankly confesses that he composed his political essays for his own amusement and pastime, hoping, nevertheless, that his observations might prove of some service to his fellow-countrymen.

His exceptional opportunities as a foreign minister for observing the social and political life of men and the great use which he made of them, alone explain the nature of his views. The life and institutions of the Dutch Provinces made a deep impression upon him. The many and unfortunate changes that his fortunes underwent during his public career under the restored Stuarts, these and historical studies led him to account for the nature and origin of au-

* Introduction to "Literature of Europe." Pt. iv, ch. vii., sec. 42.

thority and government in the manner we have seen. What he might have given us had he applied himself to the problem with the earnestness and resoluteness of a Hobbes or Locke, can only be conjectured. But semi-fragmentary as his work was, unsatisfactory even, when compared with more modern treatments of the same theme, judged from the standpoint of his age and political environment, Temple is worthy a high rank.

What the influence of his short essay was it is difficult to estimate. Indeed, it may be reasonably doubted if he affected even slightly the current of political philosophy. His ideas, born prematurely, failed entirely of a favorable reception. The times were against him. The State and Law of Nature filled the air; his theory was stifled. Great thinkers were, and continued to be, under the delusion of natural liberty for the next century and a half.

Locke, twenty years after, does not notice his arguments, but devotes all his energies and logic to refuting the assumptions of Filmer and establishing the contract conception of society and the State. In contemporary literature the essay seems to have aroused little attention and created but slight comment. It was seed cast upon stony ground.

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THE INFLUENCE ON BUSINESS OF THE INDEPENDENT TREASURY.

In the investigation of this subject it is both desirable and necessary to confine our attention to recent years. It is desirable, because, with the exception of about a decade following its establishment, the last ten or twelve years are the only ones in which the Sub-Treasury system has operated in a way that may be called normal; that is, under conditions which have not interfered with the working of its machinery. It is necessary, because the industrial and commercial character of the present period of normal activity of the Independent Treasury is essentially different from that of its former period; and also because the Sub-Treasury as it exists to-day is a very different institution from what it was forty years ago.

For many years after the adoption of the system, the annual receipts and expenditures of the government were approximately equal. At least there was no large surplus to deal with such as for many years past has been one of the most prominent features of our national financiering. This is an important consideration. For the influence exerted, on the amount of the circulating medium for example, by a government which keeps its own money, must be very different from what would prevail under other conditions. Moreover, for another considerable number of years, the country was under a régime of paper money, issued under circumstances that constituted a practical reversal of the policy of complete "divorce of bank and State" which was the central doctrine of the Independent Treasury when first established; so that the Treasury is not now "independent" even to the extent of keeping all its own money. Again. whatever influence

such a system would have, must have been largely increased, if not changed in character, by the growth of the fiscal operations of the government, by the industrial and commercial development of the country, and especially by the tremendous growth of credit which the last generation has witnessed.

When the system was established the receipts of the government were about $1,000,000 a week. So unimportant was the influence of the government operations for some years after 1846, that, in the words of Professor Sumner,* "the bankers and merchants could afford to laugh at the insignificance of the government on their arena."

Now, the Treasury "is the largest manipulator of money in the country." Commerce has multiplied many times, and there is a greater solidarity of business interests, due to improved means of communication, and a correspondingly greater sensitiveness.

Moreover, as already said, the functions of the Independent Treasury have themselves changed, both in extent and nature. "The duties of the sub-treasuries," said Treasurer Jordan in 1886, "have changed since the passage of the laws authorizing the issue of the various kinds of certificates of exchange, and redemption of the silver coinage and paper currency of the country. Each Sub-Treasury is now a bank of issue and redemption. Whether such functions," he adds, "should be performed by these offices is a grave question."†

In addition to its intended duties of receiving and disbursing government money, the Independent Treasury now discharges the following functions also: First, it issues notes, like a bank, and it protects these notes by keeping a reserve whose ratio to the notes issued approximates that usually kept by the banks; second, it receives deposits, and issues therefor certificates, which pass from hand to hand as money, and it keeps a deposit from which to cash the checks of dis-

* History of American Currency, p. 167.

† Treasurer Jordan, on proposed Sub-Treasury at Louisville. Senate Committee Reports, No. 1834. Vol. II. Second Session 49th Congress

bursing officers; third, the issue of government paper necessitates the duty of redemption by the Treasury as by banks, redemption, that is, in the sense of the exchange of one kind of money for another; and it also acts as agent of the national banks for the redemption of their notes; fourth, the Independent Treasury transfers money for individuals from one part of the country to another, free of charge or at less cost than can be done, for example, by the banks; and, finally, it has by the law of July, 1890, been charged with the work of a silver bullion broker. These powers of the Independent Treasury must be borne in mind in seeking to determine the nature and extent of its influence on the business of the country to-day.

It may seem, at first thought, that this influence might be directly traced; that prices and the rate of interest might be shown to vary with the absorptions and disbursements of money by the Treasury, and that thus there might be shown to exist between business and the fiscal machinery a connection so close as to amount to a demonstration of the influence of the latter. Unfortunately, however, this cannot be done; for large amounts of money may be withdrawn from circulation without any apparent effect on the rate of interest, or on business. This is possible because under our currency system the volume of money which constantly remains in our channels of industry is nearly a maximum; that is, the amount which is needed and used when business is most active. This, again, occurs because our currency is inelastic; its contractions and expansions are not to any great extent in response to the needs of business; it is not self-adjusting. Hence, when business is dull there is a large inactive volume of money which may be withdrawn without affecting the business situation. Accordingly, we find that the amount of money in the vaults of the Treasury increases sometimes when prices are rising, and sometimes when they are falling; on some occasions when the rate of interest tends upwards, and on others when it tends downwards; in some instances when business is brisk, and in some when it is dull; at

times when gold is being exported, and at times when it is being imported. In fact, these phenomena occur in all possible combinations.

Still another reason why prices do not show response to changes in the amount of money caused by Treasury withdrawals and disbursements is found in the widely extended use of credit. Credit instruments of one sort and another perform a very large, perhaps the larger, part of our exchanges. Prices will, therefore, depend more on variations in the amount of credit than of the money in circulation.

Moreover, the elements that enter into the determination of prices are so numerous, so variable, and sometimes so obscure, that we cannot eliminate those which are not material to the problem of finding the causes of variation at a given time. The effect of any one of these numerous elements may in one case be much greater than in another, and yet it may not so appear because the other elements have also varied in the meantime. Direct proof of the effect of the Sub-Treasury on prices is, therefore, impossible. The same is true of variations in the rate of interest. So far as they are caused by the Independent Treasury, they are due to the changes affected by it in the amount of loanable capital. No direct connection can, however, be shown, because variations in the amount of loanable capital are not the only cause of variations in the rate of interest. Loanable capital may diminish while the rate of interest falls, the effect of the diminution of capital being more than offset by other causes, which, however, are undetermined, and cannot, therefore, be eliminated. The relations between prices, rate of interest, loanable capital, and the operations of the Treasury, are, in fact, exactly such as could be represented by a combination of forces acting at a single point. We may, by observation, determine the amount and direction of the resultant, but that will tell us nothing of the individual forces. To see whither each tends, we must imagine it acting alone, and infer the results of its single action. This is one of the cases which occur so often in social and econo-

mic investigations, whose limitations prevent a satisfactory application of inductive methods, and make it necessary to rely largely on deduction. We must begin by assuming, what all admit, that prices and the rate of interest depend partly on the amount of loanable capital, as represented by the amount of money offered in the money market, and partly also on the extent of the use of credit. We must, then, first examine the phenomena of the Sub-Treasury considered by themselves, and afterwards consider how its influence is modified by other forces.

The influence of the Treasury on business is exerted mainly through its action, direct or indirect, on the purchasing medium of the country. If we disregard the small number of transactions which take place by direct barter, we may look on the purchasing medium of the country as a compound of credit, including instruments of credit, and money. It may be fairly assumed that at any given moment the purchasing medium, or the "money power," of the country is a definite quantity, the amount needed to perform the exchanges that take place. It may vary, owing to a change in the amount of money, or of credit, or of both. Any external cause varying the total purchasing medium, by changing either the volume of credit or the amount of money in circulation, will tend to act on prices. The amount of the compound purchasing medium required for transacting business being definite at any selected time, if the volume of credit remain constant, a sudden diminution of the amount of money in a market will tend to lower prices, or at least to prevent their rise. An increase in the amount of money would have the opposite effect. After each variation in the amount of money, prices would tend to settle to a new level determined by the new volume of the compound purchasing medium.

But because the volume of credit is, as a matter of fact, expansible or contractible, part of the effect of a variation of the quantity of the money element of the compound purchasing medium would be to augment or to diminish the

volume of the credit element. For the more money there is in circulation at a given moment the less need there is of credit operations; and the less money, the greater need. This is true, of course, on the supposition that the total compound purchasing medium is exactly what is needed to do the business of the country at the given time. And this supposition is a legitimate one, so long, at least, as the country is on a specie basis.

If, then, we suppose, as we fairly may, that the rapidity of circulation remains the same for a brief period, any cause varying the amount of money in a country affects business by acting on prices directly, through the change in the quantity of money; or indirectly, through its influence in inducing a change in the volume of credit. Prices would be affected even if we suppose, what in practice could hardly be realized, that the expansion in the volume of credit equaled the diminution in that of money, for prices are affected by the use of credit to a degree depending in part on its extent.

Now, the action of the Independent Treasury is such as to vary the amount of money in circulation. At one time it absorbs, at another disburses, considerable sums. There is nothing in the nature of the Sub-Treasury that makes its receipts and payments necessarily concomitant with a free and a stringent condition of the "money-market," respectively. Its action is, in the main, independent of either condition. That it must have a tendency to influence prices, depending on the extent of its absorption, retention, and disbursement of money is, therefore, clear.

For reasons already pointed out, it is difficult to show directly the connection between the action of the Sub-Treasury and variations in prices. The difficulty is still further enhanced by the fact that the withdrawal of money from circulation must continue some time before the contraction is shown in market quotations. But the evils of contraction are felt long before they become manifest in prices.

The following table shows the net receipts and disburse-

ments of the Sub-Treasury at New York from September, 1890, through June, 1891*:—

1890.	Net Receipts.	Net Disb'm'ts.	Net Gain	Net Loss.	Bal. of Gain.	Bal. of Loss.
September. . .	67.5	102.2	. .	34.6	. .	34.6
October	80.6	73.7	6.9	. .	6.9	. .
November. . .	51.6	50.8	1.7	.9	.8	. .
December. . .	66.2	72.3	5.6	11.7	. .	6.1
1891.						
January . . .	74.9	71.7	6.9	3.6	3.3	. .
February . . .	55.9	45.0	10.8	. .	10.8	. .
March	56.4	60.8	8.6	. .	8.6	. .
April	71.7	77.3	. .	5 6	. .	5.6
May.	118.6	121.5	.24	4.2	. .	3.99
June	82.6	95.5	. .	12.9	. .	12.9

In the ten months here represented, there was a continued variation in the amount of money in circulation due to the operations of the Sub-Treasury in New York.

So great an irregularity as these figures show in the supply of money cannot but have a tendency to render prices also irregular. Of course the effect of the spasmodic variation is felt first in speculation. But the influence of speculation on prices makes itself felt all through business, if the variations are more than what may be called momentary. Every business man who has outstanding debts secured by bonds or stocks as collateral has to provide additional security if his bonds or stocks depreciate under the speculative influence. In order to do so he may have to reduce his capital, or curtail his expenses, or sell his goods at a loss; and the solidarity of business interests is such that the injury to one line of business will have a tendency to react unfavorably on others, and so affect a large part of the community or even of the country.

But of far greater importance than the tendency to influence prices by varying the supply of money directly, is the action of the Independent-Treasury system on business by means of its influence on credit through the medium of the bank reserves. It is not necessary to enlarge on the

* The figures were kindly furnished me by Mr. Maurice Muhleman, cashier of the New York Sub-Treasury.

magnitude and importance of credit operations in the business world to-day. The extent of their use is marvelous. According to the report of the Comptroller of the Currency for 1889–90, it appears that of the receipts of 3364 national banks on July 1, 1890, 7.50 per cent. was in coin and paper money, and 92.50 per cent. in checks, drafts, bills of exchange, and other instruments of credit. Corresponding figures for September 17, 1890, for 3474 national banks are 8.96 per cent. in "cash" and 91.04 per cent. in "checks, drafts and other substitutes for money." In New York City, the commercial centre of the country, on the last date given above, only .07 of one per cent. of the total transactions of forty-seven banks was in coin; 4.29 per cent. was in coin certificates, government and bank notes; and 95.64 per cent. was in checks, drafts, and other substitutes for money. Now this extensive use of credit is perhaps the most marked and important characteristic of the business methods of our industrial era. Credit is the most important means of business expansion and of industrial growth. Its destruction would mean the ruin of industrial development, the decrease of means of living, the checking of population, the stagnation of social life; in short, the stoppage of progress and the throwing back of the world to a more primitive type of civilization. It is the very life of modern society. Any cause that injures it, weakens it, or temporarily suspends it, is an economic and social evil. But the basis of credit in the business community is the money that makes up the bank reserves. "The whole case [of the influence of credit] it must be observed, rests on the *adequacy of the reserve*, and the reserve must be judged to be inadequate unless it be sufficient not only to meet every demand made upon it, but completely to eliminate all apprehensions on that point. Confidence in the adequacy of the reserve is the foundation of the vast superstructure of credit which is raised upon it, and confidence cannot be impaired without rudely shaking the sensitive fabric it supports."*

* Address of Mr. Charles Gairdner, General Manager Union Bank of Scotland, before the Institute of Scotch Bankers, quoted in *Bradstreet's*, December, 1890.

The bank reserves are, as it were, the base of an industrial structure, each succeeding layer of which is larger than the one below it, so that the business organization may be represented as an inverted pyramid with a very small base. Such a system is evidently in a condition of unstable equilibrium. But the industrial pyramid has a certain self-adjusted proportion of the parts. So long as the variations in the base are induced by, and therefore correspond to, variations in the other mutually dependent parts of the structure, the relative stability is unchanged. So long as the bank reserve, which is the base of the pyramid, adjusts itself to the legitimate demands of the business community, so long is there equilibrium, or no disturbance. But the slightest disturbance of the base threatens the whole structure. Any diminution of the bank reserve, independent of a corresponding decrease of credit, or any check on its expansion when the needs of business require an enlargement of credit, interferes with operations in every department of business activity. In other words, so small, relatively, is the bank reserve, that a comparatively slight change in its amount will check the whole market. The reserve banks are required by law to keep a minimum reserve of twenty-five per cent. of their deposits in coin and United States notes. This, then, represents the danger line in fluctuations of the reserve. Even a mere approach to it creates anxiety and distress in business.

The amount of the reserve varies, of course, with the amount of the cash deposits, and also, to a certain extent, with the amount of discounts, or loans. For a borrower at a bank seldom cares to withdraw the actual money. He borrows credit. The amount of the loan is credited to him on the books of the bank, and he draws on it as he needs it. No more money comes into the bank by this transaction; no money at all need pass from the bank to the borrower from the time of the contraction of the debt, even to that of its liquidation. Yet the transaction is equivalent to an increase of deposits, and necessitates an increase of reserve. If the reserve of the bank is already at the legal minimum,

the bank must get more money.. If it cannot do so, it must contract its loans, or at least refuse further discounts, thus checking the market. When money is withdrawn from the banks, it must come out of the reserve, or cash actually on hand. But the money out of which the reserve must be maintained, and from which all actual withdrawals and cash loans must come, is the cash deposits. The "free" cash, that which the bank can pay out, is the difference between the cash deposits and the minimum, or legal, reserve. But the amount against which the bank must maintain a minimum reserve is composed of the cash deposits *plus credit deposits*, or loans left by borrowers in the bank. Evidently, therefore, the withdrawal of any sum of money from the bank must diminish the free cash and the reserve in a ratio larger than that which the amount withdrawn bears to the total deposit account. But if the amount withdrawn is in the current of business where the banks can again get at it, they, of course, can strengthen their position again immediately, and possibly could always keep well away from the danger line of a minimum reserve. If, however, they cannot recover the money let out, every withdrawal brings them nearer to this line.

Money withdrawn from the banks for export, or for the payment of customs dues, is thereby put out of the reach of the banks, for a time at least. In the former case a firm applies to the bank for gold certificates, exchanges them at a Sub-Treasury for gold, and ships the metal like any other commodity. Only a turn in the tide of international exchange can restore it to the country and the banks. If the money is used to pay customs dues it goes into the vaults of the Sub-Treasury. It is here as much out of the reach of the banks as when it is exported. For it will appear again only when the government has payments to make, or becomes a purchaser of its own bonds. If the payments of the government were sufficiently frequent, or if, better still, they had a resultant connection with the operations of the business community, no distress would be felt.

The following table shows the changes in the holdings of the New York Associated Banks for three months in 1890 due to the action of the Sub-Treasury and the interior movement of money, and also the changes in the total reserve.*

Week ending	Sub-Treasury action.	Interior Movement	Net gain (×) or loss. (—)	Variation in reserve.
Sept. 5, 1890.	× 1,600.†	— 3,289.	— 1,689.	— 52.
" 12, "	× 2,600.	— 3,310.	— 710.	— 3,193.
" 19, "	× 13,700.	— 4,411.	× 9,289.	× 6,895.
" 26, "	× 18,500.	— 3,933.	× 14,567.	× 16,384.
Oct. 3, "	× 4,500.	— 5,781.	— 1,281.	× 1,020.
" 10, "	— 2,100.	— 4,752.	— 6,852.	— 9,924.
" 17, "	— 2,500.	— 3,468.	— 5,968.	— 4,311.
" 24, "	— 2,300.	— 2,038.	— 4,338.	— 964.
" 31, "	— 700.	— 2,290.	— 2,990.	× 207.
Nov. 7, "	— 900.	— 533.	— 1,433.	— 4,254.
" 14, "	× 200.	× 1,129.	× 1,329.	× 292.
" 21, "	× 700.	— 1,190.	— 490.	— 300.
" 28, "	× 300.	— 514.	— 214.	

It is evident from the figures that there is no causal connection between supplies of money from the Sub-Treasury and the demand from the interior points of the country, so that the drain on the banks by the interior movement may or may not be relieved by supplies of money from the Treasury. Sometimes the two movements are in the same direction, either towards or away from the banks, and so intensify each other; and sometimes they partially neutralize each other. Through the month of October the demand for money from the interior continued active, but the banks were hindered in supplying it by the steady absorptions of the Treasury. Through September the demand was more than offset by the Sub-Treasury disbursements, but not steadily. In November the government payments partly offset and partly increased the drain on the banks caused by the interior demand. It would be rash to say that if the Sub-Treasury had not existed the banks would have met the demands for money more easily. Under ordinary cir-

* The table is compiled from the weekly returns of the *Commercial and Financial Chronicle*. The x sign means gain to the banks, and the — sign loss.

† 000 omitted throughout.

cumstances, certainly, under ordinarily good management, they should be able to anticipate the regular autumn draft. But in a period of stringency like that which existed in the fall of 1890, the case might be different. If there had been no Sub-Treasury and the banks had had the money held there, they would of course have loaned it and some of it, without doubt, would have been difficult to call in when the pinch came. The Sub-Treasury interposed a barrier to free lending and held the money for a time of greater need.

The diminution of the bank reserves by the Sub-Treasury diminishes the money basis of credit and thereby at times makes credit more difficult to obtain. But at the same time the withdrawal of money from circulation necessitates a larger resort to credit in the attempt to prevent the reduction of business transacted; that is, one part of the compound purchasing medium being diminished, the other must enlarge to maintain the same volume of business. Thus the tendency of the action of the Sub-Treasury is to diminish one basis of business activity—the money available for loans—and so to compel a resort to the other basis—credit; while at the same time, and by the same action, it reduces the opportunities for getting credit. The result is a check on business expansion, perhaps an actual reduction of business activity. It has been said that if the government would pay its debts so as to avoid having a surplus on hand the evil effects of the Independent Treasury in alternately contracting and expanding the currency would not occur. This statement can hardly hold; it overlooks the characteristic feature of the system, namely, its irregularity of action. The receipts of the government flow into its vaults in a continuous stream, while payments are periodic.

It receives money every day, but the bulk of its payments is made every three months. It must gather *beforehand* a sufficient amount to meet its payments. That means that for three months money is being withdrawn from circulation, and that at the end of the quarter it is thrown back into circulation and into the banks all, or

nearly all, at once. In this *irregularity* of action on the money market lies the harm of the system. If it be said that the payments made by the government at the end of every three months amount to a small sum compared with the total circulating medium, and therefore cannot have any important effect on business, the argument is conclusively answered by the evidence of experience. In the first place, it cannot be admitted that the disbursements of the government are so insignificant as the above statement seems to assume. In one month they may be small, in another large. Observing the gains and losses of money by the Sub-Treasury at New York, for six months in 1890, we find that the net disbursements varied from over $34,000,000 in September, to less than four in November. The former sum is about one-third the usual reserve of the associated banks of New York City, and it is through them that the bulk of the payments is ultimately made. In the two weeks from the twelfth to the twenty-sixth of September, 1890, the weeks which saw the heaviest government payments of the month, the cash holdings of the banks rose from 92.4 millions of dollars to 115.6 millions. This increase of twenty-three millions was in spite of the shipment of 8.3 millions to the interior.

To assert that such additions to loanable funds will not materially affect business is to assume that, other things being equal, the rate of interest in the money market will not vary with the amount of money accessible to borrowers, and that the banks will voluntarily keep idle in their vaults more money than is necessary for conservative banking. The average weekly gain of the banks from the Sub-Treasury operations in October, 1891, was over five millions of dollars, and in November over two millions. The result of such increase in the money accessible to business is a fall in the rate of interest on short loans, and at least a tendency to a local inflation in prices. Mr. Edward Atkinson asserts* that the removal of but 10 per cent., or $30,000,000 of lawful

* *Bradstreet's*, Dec., 1890.

money from bank reserves checked three billion dollars' worth of business transactions. Even if not prepared to admit the accuracy of this ratio, and although it is true that a given amount of contraction will disturb business much less at one time than another, we must still admit that under some circumstances the effects of so large a contraction would be very injurious.

In the summer months, when business is dull, a large amount of money may, as we shall see, be accumulated in the Treasury, with no ill results because it is not needed then. "Contraction of the currency" is a healthy occurrence when business is dull, and in the absence, under our banking system, of a sufficiently self-regulating or "elastic" currency, the action of the Independent Treasury then, arbitrary though it be, is a good thing.

But even the smaller output of four or five millions of dollars may have an important influence on the market, especially if the bank reserves are very near the legal minimum, for contraction then, though apparently insignificant in amount, "may produce a most violent reaction in prices, disturbance in settlements, and disorder in almost every part of the societary movement." The following graphic description of some of the effects of a sudden contraction will illustrate the importance of government action in a sensitive condition of the money market:—

"Early in 1881 the business of the city of New York was disturbed by the passage of an act of Congress which alarmed the banking institutions. It matters not to the present purpose whether their alarm was reasonable or not; the point here to be considered is that it did in fact result in a speedy deposit of several millions of legal tenders with the Treasurer of the United States, in order to provide for the retirement of national bank circulation, and thus to secure the immediate surrender of the government bonds deposited as security. Orders for such deposits of legal tender came by telegraph and mail from banks in all parts of the country to their correspondents in New York. These orders required

that the money thus to be deposited should be taken from the sums standing to the credit of the country banks on the books of the banks in New York, and forwarded with as little delay as possible to the Treasurer of the United States.

It afterwards appeared that the amount of legal tenders thus deposited reached about $17,000,000 within one week. This was a sudden, but not very large, contraction of the currency. The amount actually in use at the time, including all kinds of money, was not far from $1,100,000,000, so that about 1½ per cent. of the entire circulation was withdrawn at the chief centre of commerce. What was the effect? Immediately the banks which had been called upon to deposit money for the surrender of circulation took the required amount from their reserves. But at once, being required to make good those reserves, they sent out notices demanding the payment of loans on call. The persons thus called upon unexpectedly to pay sums which they had invested in securities rushed first to other banks and to brokers, seeking to effect new loans. As the cause was one which influenced at the same time the action of most of the leading banks of the city, a contraction of loans had been rendered necessary with nearly all the banks, and the apprehension of financial disaster had also led others to call in loans, as a precautionary measure, and had rendered all less disposed to put out more money on stock collaterals. As a consequence, in every direction it was found that the supply of money available for the purchase and carrying of stocks had suddenly shrunk. The holders were forced to go into the market to sell. . . . Accordingly, the market suddenly became one in which all wanted to sell, but nobody wanted to buy. . . . The inevitable consequence was a violent reaction, and the decline in prices within about one week was such that the aggregate market value of securities handled in New York was reduced fully $200,000,000. [Of course, this was aided by the panicky fear of *future* evil.]

On the other hand, an illustration of almost weekly occurrence, during several years when the government was rapidly

reducing its indebtedness, will serve to show the effect of an inflation of the currency. On certain days each week, about 12 o'clock, messengers from many establishments in Wall street were waiting at the Sub-Treasury. An official brought out and posted a written notice, announcing that the government would redeem on a certain date bonds amounting to $10,000,000. . . . Within five minutes orders began to pour into the exchange for the purchase of stocks. At the same time those who had stocks to sell were warned by their messengers to hold them at high prices. A sudden upward rush in prices occurred.'' *

In addition to the bad influence of the irregularity of the working of the Independent Treasury, harm arises also from the system in connection with the policy of surplus financiering. By that policy a large amount of money collected in excess of the expenses of the government, is in effect withdrawn permanently from circulation. If every month the government has a surplus, a part of it, at least, must be continuously in the possession of the government. The effect is the same as if so much money were withdrawn from circulation permanently. The result must be that the country accommodates itself to this new monetary basis by a temporary fall of prices, unless the circulating medium is increasing under the influence of additional coinage with sufficient rapidity to prevent the fall.

Secretary Fairchild, writing of the surplus,† says: "The government provides, at large annual cost . . . that there may be a sufficient circulating medium in the hands of our people. . . . If we take into the Treasury large amounts of these circulating media in excess of what we pay out, there will soon not be money enough in the hands of the people for the purposes of business; serious derangement and disaster must follow, and a portion of labor must cease until the very evils which this wrong condition creates shall have worked a temporary cure by so diminishing

* "American Securities," Wm. M. Grosvenor. New York, 1885. Pp. 216-220.

† Report, 1887.

the consumption of food, clothing, fuel, and luxuries by the taxation of which the revenues of the government are raised, that taxes do not exceed the expenditures of government." Such a change in consumption as Secretary Fairchild describes would happen only in an extreme case; but it is the state of affairs which the Independent Treasury and the surplus together *tend* to bring about. To be sure, having a surplus is not an essential evil of the Independent Treasury system. The continual holding of a surplus by the government is a policy, not a system. But if a surplus were by some means kept in circulation subject to the call of the government, the evils of hoarding, at least, would be avoided. It is because it makes hoarding in the government vaults possible that the Sub-Treasury system adds to the evils of surplus financiering.

The operations which have been described are those which would result under a system of government financial independence with disbursements made at considerable intervals, and with no reference to the condition of the money market or the demands of business. Such in principle is the Independent Treasury system of the United States. But the existence of the public debt and the almost constant possession of a surplus revenue have, under wise management by the various Secretaries of the Treasury, made it possible to prevent the occurrence of very serious disturbances from the influence of the system. If this influence had been unchecked there is no reason to think that the results would have been less evil than the opponents of the system prophesied at its inception. But there have been forces at work that have lessened the evils. The policy of the country in other lines, although these have been followed without any reference to the Independent Treasury, has been such as to prevent the system from bearing what would be its legitimate fruits if unchecked. The times of largest receipts from customs and of largest payments of interest and pensions, the currency, the silver purchases and the tariff, have all modified the working of the system of fiscal

independence to a greater or less extent. It has happened that some of these influences have prevented or lessened any evils that the Sub-Treasury might have caused.

In the first place, the tariff and the Independent Treasury have a certain connection. The receipts from customs are prohibited by law from being deposited in the banks. When, therefore, imports which are subject to taxation are heavy, considerable money is locked up. This, of course, if continued for a considerable period and if disbursements did not increase, would diminish the means of paying duties, and might strongly affect the money market and disarrange credit. According to Professor Taussig the tariff act of 1857 had in view the connection between the tariff and the Sub-Treasury. He says: "The tariff was passed with some hope that it would serve to prevent the (impending) crisis. Money was accumulating in the Treasury; and it was hoped that by reducing duties the revenue would be diminished, money would be got out of the Treasury, and the stringency, which was already threatening, prevented."*

The reduction of the tariff has often been recommended as a means for preventing the withdrawal of money from circulation. But, as is evident from our examination of the subject, the relief which would thus be afforded would come solely from the abolition of a surplus revenue. This would not do away with the irregularities of action of the Sub-Treasury, which constitute the really evil feature of the system. A surplus, if it were constant, and fixed in amount, could be allowed for in business transactions. Its creation would cause a temporary contraction of the currency, but the currency and business would soon adjust themselves in harmony again and business would not be further disturbed so long as the surplus did not change. The existence of a *varying* surplus is most vicious. But the varying surplus is due to a varying revenue and this in turn to the varying needs of the government and the turns of business. But the reduction of the tariff so as to abolish the surplus, however

* "History of the Tariff," p. 118.

desirable for other reasons, would not do away with the evils caused by the Independent Treasury, because it would not make government receipts and expenditures any more regular.

The two institutions, tariff and Independent Treasury, are to a certain extent antagonistic, in so far, at least, as the tariff is for the purpose of raising revenue. For by locking up the customs receipts of one week and thereby reducing the money within reach for further payments, the Sub-Treasury will tend to check an importation movement sooner than it would cease if left to itself, and if our currency varied with the needs of business. So far, however, as the tariff is intended to check importation—so far, that is, as it is purely protective—its purpose harmonizes with the action of the Independent Treasury.

The working of the tariff may affect the Treasury through the relation which the government holds to the currency. The Treasury must always have on hand enough gold to maintain payments in that metal; that is, to insure the redemption of the United States notes and the silver certificates. But if imports were largely to exceed exports for a considerable time there would be a drain on the gold in the Treasury, and the officers of the government would have to take measures to replenish its stock of gold. This would "press" the banks and business, increase the scarcity of money, check discounts and raise the rate of interest, tend to depress prices, quicken exportation and check importation, and thus restore, on another level of prices, the equilibrium of demand and supply in business.

The method taken to replenish the gold reserves of the government would depend partly on the existence or non-existence of a current surplus. In either case, of course, gold could be purchased. With a surplus, silver certificates might be allowed to accumulate in the Treasury as was done in 1885.*

This would soon cause the receipts of the government to

* See Taussig's "Silver Situation in the U. S." Public. of the Amer. Econ. Assoc., Vol. vii. No. 1., pp. 31, ff.

show a larger proportion of gold and so restore its reserve. If there were no surplus the Treasury would have to buy gold. Whichever policy were adopted, the time at which to pursue and to relinquish it would be for the Secretary of the Treasury to determine. His duty in such a case would have a certain likeness to the action of the Directors of the Bank of England in raising the rate of discount to check the export of gold. The object of both is to prevent the export of gold from going so far as to endanger the safety of their loans. Such interference in this country is very rare, and together with the exaction of a premium on gold bars for exportation in 1890, is the only means taken to prevent undue loss of gold.

The hardships caused by contraction of the currency by the Sub-Treasury at a period of heavy importation would be mitigated somewhat by the bonded warehouse system, whereby goods may be kept in bond and the duty paid at a later time. This system gives the money market time to prepare for the demands to be made on it.

It is needless, of course, to point out that the evils of contraction caused by the absorbing action of the Sub-Treasury, at a period of heavy importation, are followed in due course by the evils of expansion. These latter are likely to be less felt, however, than the former. For the contraction takes place when money is in demand. If the expansion takes place at such a time it eases the market; if at a time when business is dull, the money simply enters the volume of inelastic currency which lies inert in the channels of trade.

It has already been several times observed that there is, strictly speaking, no causal connection between the workings of the financial machinery of the government and the demand of business for money. Yet, strangely enough, the ill effects of the receipts and payments of the government in alternately contracting and enlarging the amount of money available for business purposes, have been modified, and to a certain extent diminished, by our peculiar currency system. Bad as that in some respects is, it must be credited with

some good in this direction. The chief defect of our monetary system is its inelasticity. The supply of money in the channels of trade is that which is needed when business is brisk and the demand for money is active and healthy. But there is not what might be called an automatic method of contraction whereby the amount of money in circulation quickly and easily becomes less when business becomes dull for short periods. Our circulating system is composed of gold and silver coins and certificates, United States notes, and national bank notes. The United States notes, or greenbacks, are, by law, fixed in amount; the silver through its paper representatives is, also by law, continually increasing; the gold would ordinarily diminish only by export for investment or for the settlement of international balances, and is not, therefore, contractible on the occasions under consideration; and the national bank notes grow less only by the slow and unimportant means of redemption at Washington as they wear out.* There is, then, abundant provision for currency expansion, but none for currency contraction. The only means whereby this process can take place is through the absorption and locking of money by the government. But this mode is of course, as already shown, purely arbitrary. Still it sometimes happens that the government locks up money at a time when there is a plethora in the market. The process cannot then do much, if any, injury; in fact it may be a source of relief to the banks. The monetary reservoir, so to speak, suffers less from loss through the arbitrary government withdrawals, because it is always kept at or near a maximum fullness. This inelasticity of the currency implies a social loss, by keeping afloat at times a larger amount of money than is necessary; but, on the other hand, it lessens the severity of contraction by the Treasury.

The times of the year when money is least needed and when it accumulates in the vaults of the banks, are, approximately, in January, the summer months, and towards the

* Of course the final retirement of the national bank notes is not a phase of the elasticity of the currency here intended.

end of October and the beginning of November. The plethora of currency in the summer is due: (1) to the semi-legal tender character conferred on national bank notes by the law which compels every bank to receive the notes of every other bank at par. The consequence of this is that the notes of the country banks are not sent home in the summer; (2) to that provision of the law whereby deposits in reserve cities count as reserve both for the reserve bank and for the country banks making the deposits; (3) to the payment of interest by the banks on deposits subject to call.

No one is benefited by the seasons of extreme ease; for as money accumulates in New York only because it is not wanted in the interior, the producing and mercantile classes outside of New York get no benefit from the low rates of discount which the accumulations produce. But when a stringency occurs, on the other hand, it generally affects all. The injury of the stringencies is not compensated by the ease of the money market at the times of great accumulation.

The customs receipts rise from May until September. This means, of course, that during the intervening months the government is locking up money and contracting the currency. This action must be a relief to the banks, especially in New York City, by withdrawing a part of the money which would otherwise have lain idle in their vaults. But, on the other hand, it must render the banks less able to meet the usual fall demand for money to "move the crops." And, indeed, in some years, as 1888 and 1889, "the crop movement and fall business have depended wholly upon the elasticity government disbursements have given the currency. . . . There was a time when the Treasury accumulated the idle currency in the summer months and disbursed it in the fall."* Hence, it has been necessary at many times to rely on the Treasury to supply the whole, or the greater part, of the money needed to keep up the bank reserves when they were being drained by the interior demand in the fall.

* *N. Y. Commercial and Financial Chronicle*, February, 1890.

If there had been no way except ordinary payments for the Treasury to let out again the money it had absorbed, evidently distress would have been caused. But two channels were open for the outflow. In the first place, the Treasury could purchase bonds, and this was the usual policy in the autumn for some years. But for the Independent Treasury the autumnal drain would all have fallen on the banks, and they were usually not very well prepared to meet it. There seems no reason to think that, as has sometimes been said, the banks carelessly depleted their reserves by discounting too freely in the summer months and that they were therefore unable to meet the drain in the fall.

The other method whereby the accumulations of the government could again be put within the reach of business was by depositing them in the banks. This policy has been followed, as we have already seen, to a greater or less extent according to the views of the different Secretaries of the Treasury. But as the premium on United States bonds has risen, it has not been profitable for the banks to buy them for deposit as security for government money committed to their care. Moreover, as the only public money that can legally be deposited in banks is that derived from internal revenue, it is possible that, in some cases, the receipts would come in so slowly that the banks would lose from having to deposit in advance bonds to a sufficient amount.

Still another preventive of stringency in the fall has been found in the timely occurrence of the heavy government payments for pensions and interest. Disbursements for these purposes often swelled at times when they could do great good. The pensions and the interest on the 4½ per cent. bonds of 1891 were payable in March, June, September and December. These disbursements were a source of monetary relief that could be depended on. The interest on the four per cents was paid in January, April, July and October. So far as the influence of these payments was concerned, that of October would continue the relief afforded by the September payments.

Now that the 4½ per cent. bonds have been paid, there will be no further relief from these interest payments in September. But since the redemption of these bonds it has happened that the financial condition of the government has changed. The receipts from customs have fallen off owing to the high rates of the McKinley tariff law, and the expenditures have largely increased, thus reducing the surplus and making income and outgo more nearly equal. The equalization of payments and receipts in the course of a year will not, however, as we have seen, prevent the financial operations of the government from exerting an influence on the money market. For it is still necessary for the Treasury to accumulate in advance a sufficient amount of money to make payments of interest and pensions quarterly. The irregularities of its operations, due to the public debt, will not, indeed, be so great as hitherto, yet they will be sufficient to cause occasional disturbance. The only interest payments of importance are those on the 4 per cent. bonds, due in January, April, July and October of each year. The January payments come at a time when the demand for money is slackened, and so money accumulates for a time in the banks, as is shown by the increase in their reserves. The April disbursements coincide usually with the demand for money for the spring trade, and are thus a positive help to the market. The outpour of July falls on a lethargic market and goes to swell bank reserves already usually larger than the banks desire at that season of the year. The October payment, as we have already noted, is timely in meeting the usual "fall demand."

The disbursements for pensions increased some eighteen millions of dollars for the fiscal year 1891, and will increase rapidly for some years to come. This increase will work to keep up the irregular influence of government financial operations in the money market, yet possibly to a less extent than hitherto. For a new policy in the payment of pensions has recently been adopted. Payment of pensions is made quarterly from each pension agency, as heretofore,

but not from all the agencies at the same time. Payment is made from some agency every month. The consequence is that payments of pensions are distributed more equably through the year, and therefore they will doubtless cause less disturbance in the future.

In its connection with the currency the Independent Treasury is the source of another danger. It is due partly to the existence of the Sub-Treasury system that the country has been forced into its present silver policy. The sentiment which brought about the effort of the government to "maintain" silver, could not have been so successful but for the fact that the Treasury is the keeper and disburser of its own money. If, for example, the transactions of the government had been conducted through a national bank as formerly, public opinion would never have permitted so long a period of irredeemable paper or a forced issue of depreciated silver. For the gain from them, whether real or imaginary, would have been, at least partly, secured by the bank. But the issue of notes by the government, and the forced issues of silver receive a certain support in popular opinion because the profits accrue to the government. It would have been possible, under a system that used banks as the issuing agents of the government, to secure most of this advantage while avoiding the incidental evils which the course pursued has produced. It is not meant, of course, that the policy actually pursued with reference to paper and silver would have been impossible under a national bank; but it would have been much less likely to be suggested or supported. So long as the government maintains a "bank" of its own, so long will its stockholders, the people, or a certain section of them, insist on doing for profit a banking business on the lines which, followed too far, inevitably bring disaster.

Under the Independent Treasury system the government must itself maintain the gold standard. But it can do so only if its receipts are in gold to a sufficient degree. Professor Taussig shows* that it has been saved from forced

* "The Silver Situation." Public. of the Amer. Econ. Assoc., Vol. vii. No. 1.

silver payments only because the surplus revenue enabled it to accumulate gold. Now that the surplus is wiped out, this source of safety for the money standard is weakened and the difficulty of maintaining the standard will increase.

In another way still, the surplus has prevented the Independent Treasury from exerting the full effect which it would otherwise have had. While the surplus is to a certain extent chargeable with intensifying the contractions which the operation of the Treasury at times tends to produce, it has also afforded a means of relief when the acute stage of the demand for money has come. Without the public debt and without a surplus to redeem it, the Treasury could never have afforded the help in stringencies which it has so often given. But this very cure of the evils of contraction may be, to a certain extent, its cause. A surplus can exist only because money is taken out of circulation and locked up for future use. But this process means contraction. The evil effects of the surplus policy in contracting the currency are in some degree counteracted by the arbitrary enlargement of the circulating medium from the monthly additions of silver, and from other new coinage. But when disbursements come, inflation is rendered still greater by these additions.

If the currency of the country were wholly created by commerce for its own needs, adapted entirely to those needs, and possessing the elasticity which such a currency would have, the action of the Independent Treasury would be more clearly seen. In that case it would correspond more exactly with the absorptions and disbursements, diminutions and swellings, of the money in circulation, for short periods of time. The new coinage made in response to commercial demand, and the export and import of gold and silver, would still have to be allowed for. But the alternate issue and redemption of bank notes, under such a currency system as we suppose, would respond quickly to the variation in the demand caused by the Sub-Treasury, and so would reflect its action much more clearly.

In the few years just before the war, when the currency was more elastic, the action of the Sub-Treasury on the money in circulation must have been much more close and direct. But at that time the financial operations of the government were, comparatively, so small that the amount of its alternate subtractions from, and addition to the money afloat could not have done much harm. And since the war, as has been shown, its influence has been largely modified by causes, many of which, though they would be called bad if considered by themselves, have, as it were, so considerably offset the evils of one another as to produce a condition on the whole not very vicious.

Other causes which prevent the variations of the amount of money in the channels of commerce from corresponding with those of the government cash holdings, and have modified the influence of the Sub-Treasury, are the monthly injection of silver, the changes in the national bank circulation and the exportation or importation of gold. And even when allowance has been made for all these, the effects of new coinage and of hoarding would cloud the working of the system. The combined action of the silver issues, and the movement of the national bank notes, sometimes diminishes very much the contraction which government receipts would otherwise cause. For example, during October, 1890, the gain by the Sub-Treasury amounted to $5,154,374. But not this amount was lost to commerce during that time. For during the month silver certificates were issued to the amount of $5,880,000, and national bank notes were retired to the amount of $2,114,142. The net gain in currency afloat from these last two movements was $1,388,516, which deducted from the Sub-Treasury withdrawals leaves the net loss of money afloat $1,388,516. If the changes in the currency were responsive to the demands of commerce, as they would be under a monetary system purely commercial instead of partly political, as ours is, the demand of business for money would still have been unsupplied, by just the amount of the Sub-Treasury withdrawals. Under

our system there are occasions when this may not be true. In the one cited, however, the demand for money was active because imports were rising to anticipate the operation of the McKinley tariff, and it is altogether likely that the whole increase of money during the month was needed, and would have been used, had the Sub-Treasury not put it out of reach.

On the contrary, it is clear that under other conditions—when, for instance, the demand for money is slack—the issue of silver to an amount greater than the national bank notes retired is not needed, and the Treasury absorption relieves the plethora of currency. But whichever way the changes may work there is no necessary connection between the money demand, the money supply, and the action of the Sub-Treasury; that action is therefore just as likely to injure as to help the market for the time being.

The Independent Treasury also enhances the difficulty of the management of the public debt. The Secretary of the Treasury must proceed carefully so as to prevent the withdrawal of too much money for the accumulations from which to pay interest and to purchase bonds for the sinking fund. He must make his withdrawals and disbursements as equable as possible.

The Independent Treasury, in connection with a surplus revenue, is responsible for the policy of forced debt payment. When the surplus grows large the Secretary of the Treasury is compelled to get rid of some of it by purchasing bonds, even though he must pay large premiums to do so. In 1889, for example, the secretary, receiving and disbursing nearly half a million dollars a day, had to find and buy one or two millions of bonds a week so as not to withdraw a dangerous amount of currency from commerce, A possible result of such purchases is to raise the price of the bonds so that it will not pay the national banks to deposit them as security for circulation; and the consequence would be a retirement of bank notes and a contraction of the currency, or at least, a prevention of its expansion in a time of need.

The great cause of mischief in the Sub-Treasury system, as has already been emphasized, is in the fact that while the receipts of the government are daily, its payments occur only at intervals. If these intervals could be shortened sufficiently, the harm done might be made to disappear. If, for instance, the Treasury could pay its bills weekly, or even monthly, its influence on the money market would be far less. The chief items in the irregularity of the Treasury action are pensions, interest, and purchases of bonds for the sinking fund. With regard to pensions, a step has recently been taken in the right direction by paying part of them each month. But the great increase in the pension roll will neutralize, at least in part, the benefit that the change would otherwise produce. The interest payments are still made quarterly and money must be gathered for the purpose, and also for the purchase of bonds.

As the debt grows less the influence of these causes will decrease. If Congress could be said to have a definite financial policy, so that the action of one session could be looked on as indicative of its future course, we might infer from recent legislation that the irregularities due to debt payment will be less than hitherto. For the late drift of events—the enlargement of appropriations and the reduction of income by the McKinley tariff—might then be regarded as foreshadowing a period of slow debt reduction. This would preserve somewhat longer our national banking system, and would enable the government, if so it chose, to make a larger use of these banks as depositories, and the slower payment of the debt could be so adjusted as to cause less irregularity. But no such dependence can be put on Congressional legislation as to warrant an inference like this.

The causes which have modified the action of the Sub-Treasury have prevented the monthly variations in the net government holdings of cash from corresponding necessarily with the gain or loss of money to business from government operations. Hence, one set of changes cannot always be learned from the other. The difference between the two sets

of changes is often increased by the fact that the disbursements reported as being made in one month may not appear until the following month. The checks issued for pensions, for example, are some time in returning through the banks to the Sub-Treasury for payment. Meantime the money against them remains still in the vaults of the Treasury. The effect of large reported disbursements or absorptions may not appear, therefore, for some little time after they are nominally made. For example, in March, 1889, the decrease in the Sub-Treasury holdings was $3,575,519; the decrease in depository-bank holdings was $986,743; total, $4,562,262. Yet according to the monthly statement, the receipts of the Treasury were $31,014,000; and the disbursements, $17,383,000. These figures make it appear that the Treasury *absorbed* $9,139,000, whereas it actually had a *net loss* of $4,562,262.

Thus we see that the evils which the Sub-Treasury might naturally be expected to produce have been largely neutralized by a series of lucky accidents, as it were. For it can hardly be claimed that the various parts of our financial system and policy have been framed with reference to one another so as to offset one another's ill effects and produce a system good on the whole. Several parts of that system are bad, notably the Independent Treasury in some of its influences, and our currency. Yet they have to a certain extent corrected one another. We can hardly expect, however, that the balancing of these influences against one another can continue in the future, nor would it be desirable that it should. It would be unscientific and dangerous to rely on mere contingencies for the prevention of financial evils, if we can see the defects in our system and provide a remedy.

Irregularities of absorption and disbursement cannot be prevented. They occur with all governments. It is not practicable for the government to pay its bills with sufficient frequency to prevent the locking up of considerable sums for periods long enough to affect the market, especially

when it is sensitive. This feature of temporary withdrawals of money is inherent in the "independent" system of government management of its own receipts, and renders impossible the prevention of the evils which arise from contractions and expansions of the currency, independent of the state of trade. Some method of keeping the public money should, therefore, be sought which will do away with these evils.

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SIDGWICK'S ELEMENTS OF POLITICS.*

The constantly increasing attention devoted by our colleges, books and periodicals to political and social science is the subject of very general remark. The actual advance in the different cognate studies included under this general heading, viz., Politics, Political Economy, and Sociology, is, however, strikingly unequal. Politics (recently rebaptized "*Civics*" by those who would confine this venerable term to the lowest form of corrupt political activity) is, as every one knows, of great antiquity. Political Economy can hardly trace its lineage farther back than the middle of the eighteenth century; while Sociology has but just now gained distinct self-consciousness. Looked at, however, not from the standpoint of its past, but as respects recent achievement and the hope of future progress, Politics can hardly maintain its position of priority. Recent years have witnessed remarkable development in Political Economy. Theories of a progressive industrial society are taking the place of the doctrine of a hopelessly closed circle of the English classical school. Something akin to the spirit of exuberance which characterizes Condorcet's famous account of human progress pervades the writings of economists of the most opposite tendencies; for example, Mr. Wells and Professor Patten. "The field of Dynamic Economics," Professor Clark declares in a recent review, "is unlimited, and each pioneer work that occupies a part of it has the effect of making the whole field seem larger." We know not whether the expectations of the new school will be completely realized, but the wide-reaching importance of a new mode of viewing economic phenomena, both in the field of governmental policy and in respect to education, is patent.

Sociology, again, although just getting on its feet, not

* THE ELEMENTS OF POLITICS. By HENRY SIDGWICK, author of "The Methods of Ethics" and "The Principles of Political Economy." Pp. xxxii. and 632. London: Macmillan & Co. 1891.

content with modifying our ideas of the present, may well introduce a correspondingly radical alteration in our manner of viewing the past; in particular, the long-recognized method of treating historical events.*

Politics, on the contrary, exhibits neither the vivacious confidence of extreme youth nor the emulation of developing manhood, but rather the dull plodding indifference of decay. The conditions which would naturally be regarded as the primary incentives to active political speculation—viz., those present during a period of active constitutional reform—have undoubtedly prevailed during the past century to a much greater extent abroad than with us. Unprecedented changes have occurred during that time in the constitutions of all of the European states, and it may safely be said that our form of government antedates by fifty years that of every other civilized nation. Other reasons might doubtless be adduced to explain our extreme conservatism, but it remains an indisputable fact that little has been added to our theory of politics since it received its classical formulation in the writings of Hamilton and his associates at the end of the last century. These theories have doubtless been rendered more precise in their practical application, and one great question relating to the nature of the Federation has subsequently received an authoritative answer. But our political speculation has confined itself to a narrow field. The science of Politics has been at a practical standstill in this country for a hundred years and the Federalist still retains an undisputed place as our great work in this field. A reference to the lists of courses offered in our colleges affords a striking proof of the general indifference to Politics as a science. Aside from an occasional course in the constitutional history of the United States, or a superficial consideration of the text of our constitution, little will be found which could fall under this head. Yet Politics ought obviously to rank with Political Economy, the systematic treatment of which is coming to be so conspicuous a feature of our college curricula.

* See, for example, Gumplowicz, Sociologie u. Politik: 1892.

The recent appearance of several notable works on politics would seem however to betoken the beginning of a change. Three distinguished scholars have within a year or two published extensive treatises in this department. It is but a reasonable hope that the existing indifference or, what amounts to much the same thing, the unreasoning and exaggerated faith in the perfection of existing institutions shall give way to an awakened interest and desire for advance.

In the work before us the author has not sought to propound and establish any new principles not recognized in ordinary political thought and discussion. His aim, he tells us, "is merely to render somewhat more precise the principles that I find commonly recognized, and to make their application to particular cases as clear and consistent as possible," (pp. 33, 34). This plan has been carried out in a perfectly consistent and self-abnegating manner. The reader is constantly struck with the successful reproduction of prevailing sentiment untinged by personal preference. To the future historian the work will be of inestimable value as a perfect mirror of prevailing political opinion among English speaking people during this epoch. It will not be necessary for him to gather his data and form his opinion from the passing references and hints of those holding a brief for special causes. He will find his section on the "*Political Ideas at the Close of the Nineteenth Century*," needing perhaps a little condensation but otherwise ready for the printer. No one it ought in fairness to be said is more fully aware of the relativity of what he has written than the author, as we find on taking up his chapter upon the Scope and Method of Politics, of which a word will be said later.

The proofs of the entire work were read by both Mr. James Bryce and Professor A. V. Dicey. The author cheerfully admits that, in consequence of the criticism of his friends, several chapters were subsequently added, enlarged or almost entirely re-written. Professor Sidgwick's thoughtfulness in this respect will be especially appreciated by our

countrymen. After the mistakes of Bagehot and the grotesque misconceptions of our institutions to be found in Maine's Popular Government, the revision by two such careful students of our constitution must prove at least reassuring.

The work falls into two nearly equal parts, one concerned mainly with the functions of government, which must logically be considered before taking up its structure in the second part. The functions discussed, include not only the domestic concerns but the external policy of the State as well. In the latter division the writer declares himself under especial obligation to Hall's standard treatise upon International Law. Part II. is supplemented by several chapters which relate to the important question of the control of the people over government, the place of party in the political system, etc.

Professor Sidgwick begins with a consideration of the Scope and Method of Politics, devoting an all too brief chapter to this important inquiry. While a model of concise exposition this short chapter might well have been greatly expanded. The question meets us on the very threshold, which has in the field of economics given rise to such general discussion during the past decade, degenerating in Germany even into bitter personal strife, viz., that of method. In politics are we to reach our conclusions primarily by a resort to historical study, interrogating the experience of other times and other peoples, or may we find in the habits and proclivities of the individual and the race the data upon which to base the science? In short, shall the method in politics be inductive or deductive?

Professor Sidgwick has defined his aim to be the setting forth "in a systematic manner the general notions and principles which we use in ordinary political reasoning." "Now ordinary political reasonings," he continues, "have some practical aim in view; to determine whether either the *constitution* or the *action* of government ought to be modified in a certain proposed manner. Hence the primary

aim of our study must be similarly practical. We must endeavor to determine what *ought* to be so far as it depends on the constitution and action of government, as distinct from what is or has been." Hence he denies that "any results attained by the study of the history of political societies can be directly or decisively applied to answer the questions with which we are here primarily concerned." The author, after assigning other reasons—notably the essential progress of society which renders past experience unavailable—for regarding the historical method as of distinctly secondary importance, proceeds to assert and maintain his adhesion to a "method mainly deductive." "We must assume," he holds, "certain general characteristics of man and his circumstances—characteristics belonging not to mankind universally, but to civilized man in the most advanced stage of his development; and we must consider what laws and institutions are likely to conduce most to the well-being of an aggregate of such beings living in social relations. According to this method, Politics is not based primarily upon history, but on Psychology; the fundamental assumptions in our political reasonings consist of certain propositions as to human motives and tendencies, which are derived primarily from the ordinary experience of civilized life, though they find adequate confirmation in the facts of the current and recent history of our own and other civilized countries. These propositions, it should be observed, are not put forward as *exactly* or *universally* true, even of contemporary civilized man; but only as sufficiently near the truth for practical purposes." As examples of such truths he cites the proposition: "Of two individuals with equal fortunes, he that has the most wealth has the greatest chance of happiness." And "Each person is the only safe guardian of his own rights and interests." The position here taken, although doubtless capable of much more systematic defence than the author has attempted in the few pages devoted to the subject, certainly tempts an attack on at least two sides from the historical school militant. One may deny, in the first

place, the completeness of his definition of the aim of practical politics as simply the determination of what ought to be. And, in the second place, his conception of the historical method suggests criticism.

The practical aim of ordinary political reasoning Mr. Sidgwick confines to the decision "whether either the *constitution* or the *action* of government ought to be modified in a certain proposed manner." But is this the whole problem? Is there not an initiatory step which is neglected or perhaps assumed here, namely, the very practical one of originating the modifications to be accepted or rejected? Is it not often apparent to everyone that the action of the government is defective and ought to be modified when no remedy for the obvious evil suggests itself? In short, are not a widening of the horizon, an awakening of the mind of the legislator to heretofore unthought of combinations, a certain freedom of speculation, primary desiderata in progress and reform, as much as the faculty of determining the expediency of a proposed modification in the action or constitution of government? With this enlarged conception of the scope of practical politics in mind let us turn again to the method. Is there not besides the historical and deductive methods a species of *tertium quid*—the *study*, namely, of *contemporary comparative politics*?

It is well to distinguish this last source of political enlightenment from the historical method as usually understood, although in strict logic there can of course be no satisfactory line of separation drawn. It is an aspect of the historical method which has no more in common with the hazy and practically valueless references to the organization of the Achaian League, the decay of the Roman Empire or the corporate organization of the middle ages than the numbering of the tribes of Israel has to do with modern statistics. And yet it is the supposed broad generalizations based upon the experience of centuries that too often are regarded as the very essence of the historical method. This confusion would easily serve to depreciate, if not altogether destroy,

in the eyes of many the value of the inductive method, causing its relegation to a distinctly inferior place in our reasonings. Circumstances, however, which restrict the practical value—*the suggestiveness*, of the historical method as ordinarily conceived lose much of their force in the case of existing political societies struggling with essentially the same great industrial and social problems. Radical differences of environment, of national character and traditions undoubtedly exist, nevertheless the increased clearness of insight and fertility of expedient which would result from an active interest in, and working knowledge of the progress of other contemporary nations is almost incalculable. The poor, for example, are not alone always with us, but with the English, French and Germans as well. Can we, for instance, rationally and conscientiously dismiss, with a sneering reference to "*paternalism*," the whole great system of Workingmen's Insurance in Germany? While the Hatch Bill occupies us on this side of the Atlantic the German periodicals are full of the *Börsenfrage*.

This is practically an unworked field. Years of devotion and study with prolonged residence abroad are required of one who would bring this knowledge to his countrymen. But could it not be safely predicted for the conclusions to be derived from such study that they would have at least the conditioned value which Mr. Sidgwick modestly claims for those reached deductively? If not to be regarded "as *exactly* or *universally* true" would they not be "sufficiently near the truth for practical purposes?" Would they not, above all, be suggestive?

The functions of government are treated by the author with perfect consistency from a utilitarian standpoint. A general, if not universal assent may be claimed, he thinks, for the principle "that the true standard and criterion by which right legislation is to be distinguished from wrong is conduciveness to the general 'good' or 'welfare.' And probably the majority of persons would agree to interpret the 'good' or 'welfare' of the community to mean, in

the last analysis, the happiness of the individual human beings who compose the community; provided that we take into account not only the human beings who are actually living but those who are to live hereafter," (p. 34). The happiness of the governed community is thus assumed through the nine succeeding chapters as the ultimate end of legislation.

A much more vital question relating to the functions of government, and one discussed in the most admirable spirit of impartiality by the writer is that which involves the conflicting claims of individualism, paternalism and socialism. In his careful attempt to define these three much misused terms the author deserves the grateful recognition of every friend of clear thinking, and it certainly will not be out of place to reproduce briefly his formal distinction. On considering the different ways in which the happiness of individuals may be promoted by laws, two fundamental distinctions are apparent. (1) "In the first place legal control may be exercised in the interest of the person controlled, or of other persons; the government may either aim at making each of the individuals to whom its commands are addressed promote his own happiness better than he would without interference, or they may aim at making his conduct more conducive to the happiness of others. So far as the former is the avowed aim of government, its control resembles that properly exercised by a father over his children: accordingly this kind of governmental interference is commonly spoken of as 'paternal.'" (2) When we come, however, to consider the control by the state of the individual's action in the interest of others the second distinction is clear. "The services which an individual is legally bound to render to others may be positive or negative; they may consist in doing useful acts, or in forbearing to do mischievious acts." "The requirement that one sane adult, apart from contract or claim to reparation, shall contribute positively by money or services to the support of others" the author proposes to call "socialistic." The doctrine, on the other hand, "that government should leave the terms of positive social co-opera-

tion to be settled by private agreement among the persons co-operating—in short, that what one sane adult is legally compelled to render to others should be merely the negative service of non-interference, . . . provided that we include in the notion of non-interference the obligation of remedying or compensating for mischief intentionally or carelessly caused by his acts"—is currently known as "Individualism." In view of the fact that "the legislation of modern civilized communities . . . is in the main framed on an individualistic basis" and recognizing the existence of an important school of political thinkers who are of opinion that the coercive interference of government should be strictly limited to the application of this principle, Professor Sidgwick proceeds in the succeeding chapters on Property, Contract, Inheritance, Remedies for Wrong, and Prevention of Mischief, to trace the chief characteristics of a system of law based upon the consistent application of this doctrine.

While accepting the individualistic policy in general the writer does not hesitate to point out inconsistencies in the theory and difficulties which forbid its strict application. His consideration of socialistic and "paternal" legislation exhibits a philosophic fairness quite refreshing in view of the heated discussions of these topics into which some of our best thinkers have allowed themselves to be drawn. In regard to paternal interference, he believes that when strong empirical grounds are brought forward for admitting a particular practical exception to the principle of individualism, it would be unreasonable to reject it merely on account of the established general presumption in favor of *laisser faire*.

Socialism is a somewhat slippery term, but may be defined as a system of legislation whose *primary* aim is not, as in the case of "paternal" regulations, the welfare of the particular individual restrained, but of the whole society of which he is a member, (p. 137). Strict individualism is based, as Professor Sidgwick points out, upon two assumptions. For even if it be granted that men "may be expected

to discover and aim at their own interests better than government will do this for them, . . . it by no means follows that an aggregate of persons, seeking each his own interest in the most intelligent and active manner possible, is therefore certain to realize the greatest attainable happiness for the aggregate." A complete argument for *laisser faire* requires that the truth of the second as well as that of the first proposition be substantiated. The author accepts, however, both these premises, and the socialistic interference which he justifies in Chapter X. is conceived, he states, "merely as a supplementary and subordinate element in a system mainly individualistic." A number of pages are devoted to "Socialism," used in the sense of a redistribution of wealth benefiting the poor at the expense of the rich, and to various methods which tend to mitigate the harsher inequalities. "So far," the author holds, "as the community, acting through its government, can equalize opportunities, without doing harm in any other way, such interference actually gives greater scope for the admitted advantages of the individualistic system to be attained."

We cannot touch on the more detailed consideration of individual cases where much of the interest of the book lies. Enough, it is hoped, has been said to give a general notion of the author's point of view and method in discussing the general principles of legislation.

In spite, however, of the general clearness and fairness which characterize this discussion of the functions of government, one leaves it with a deep sense of its incompleteness and its want of finality. Political speculation lingers behind a developing society. We thus find the causes tending towards a more complete social organization ignored. How long are we to neglect in our treatises on government the unprecedented changes of the last half century, for example, the revolution in the means of communication? Professor Sidgwick simply reports progress, or better, the absence of progress. We look in vain for any indication of the path upon which we must advance.

Somewhat more than one-fourth of the entire volume relates to the constitution of government in a simple or unitary state. This contains, besides a preliminary consideration of the doctrine of the division of powers, chapters upon the Legislature, Executive and Judiciary, with their inter-relations, as well as a separate chapter upon two chambers and their functions.

The crudeness of the prevailing conception of the separation of powers and its philosophical untenableness is not entirely overlooked by the author. His characteristic conclusion is: "It seems clear that the separation of governmental functions among the organs which we have distinguished as legislative, executive, and judicial, cannot, from the nature of the case, be complete, notwithstanding the strong general reasons that we have seen for establishing it," (p. 352). And here it may be noticed that the writer seems entirely to have neglected the abundant literature of this subject existing in French, and especially in German. In the writings of Laband, Gneist, Jellineck, Rosin, Haenel, and others, the relation of the several organs of government has received the most careful consideration. The conditions in the German Empire have precipitated this discussion, which takes its most practical form in the endeavor to establish a canon governing this relation, at once philosophically consistent, and yet politically admissible in its actual application. The existence of an elaborate system of administration and the strikingly subordinate position of the judiciary in the German system both tend to turn the discussion into very different channels from those it would naturally follow in England and the United States. Experience in France, too, especially the arguments advanced for and against the repeal, in 1870, of the law relating to the privileged position of government officials deserve attention.

The chapter on Federal and other Composite States is superficial and unsatisfactory. In it the same want of acquaintance with everything beyond England and the United States, which characterizes the whole book, is apparent. A

familiarity with the order of things in Germany would, we may venture to suggest, have produced a very different exposition of the subject. For there, a Federal system has spontaneously developed in which, it may almost be said, one and all of the cherished rules for the organization of a Federal State which English and American writers have so often laid down, are utterly ignored. No better illustration exists of the weakness of the method "*mainly deductive*" which is followed by Professor Sidgwick and which is at bottom but a system of *imperfect induction*, unconsciously pursued. The "general characteristics of man and his circumstances . . . belonging not to mankind universally, but to civilized man in the most advanced stage of his development," (p. 8) include in reality only those of the English and their political descendants.

The Federal system, for example, as it exists in the United States is no more *normal*, no more an inevitable outcome of the general characteristic of civilized man in the most advanced stage of his development than is our custom of drinking soda water with ice cream in it, or of the addiction of the Italians to *polenta*. The work before us might therefore be more correctly entitled "The Elements of English and American Politics."

The criticism here made applies unfortunately to all or very nearly all of our literature in this field. It can only be corrected by a much more thorough and intimate knowledge of other and different systems than our own. No simple perusal of the text of a foreign constitution will suffice. We must read the debates in the Constitutional Conventions, as well as the domestic treatises upon existing institutions. The newspapers ought not to escape us. Lastly we must actively sympathize with the other branches of the human race in their struggle towards a higher plane and a more perfect political organization.

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PREVENTIVE LEGISLATION IN RELATION TO CRIME.

The true object of Municipal Law is to accomplish the ends of justice. In this country—consciously or unconsciously—the constitutions have been formulated with that portion of the Declaration of Independence in view which declares that all men are created equal, and to each attaches as inalienable rights the right to life, liberty, and the pursuit of happiness.

They are equal in their creation. Each is conceived and born of the force attendant upon the operation of the same physiological laws. Each is born to the earth. If the environments of one individual at the time of conception and up to birth, and the new environments after birth, are such that he has less capacity than another has to use the opportunities within his reach; or, if the opportunities into which he is born are less favorable than are those that surround another, the right to natural birth-equalities remains. Each may provide for life, enjoy such liberty, and seek to secure substantial happiness to the extent of his ability, not obstructing any other in the same pursuit. The happiness must be substantial and not chimerical; such as will tend to preserve life, liberty, and happiness for all as well as for each. It is in the laws of creation, in a right to enough of earth to enjoy life and liberty and in the use of such opportunities as come to them to the extent of their capacity equally with others, that individuals are equal; not in capacity. As soon as one begins to infringe on the rights of another, or seeks to obstruct him in the enjoyment of his rights, inequality begins. The earth is large enough and has productive elements enough to support all who come into it, if each uses his opportunities judiciously; and

among the opportunities to be so used is the procreation of the race. Injudicious use of opportunities in any relation brings inequality, and injustice results. This applies to government as well as to persons.

The true purpose of legislation should be, the formulation of such laws as will prevent—as far as is possible—such injudicious use of opportunities by each individual in providing for life, in exercising liberty, and in seeking substantial happiness, as will hinder others in their rights; and in this way tend to preserve equality. Men have injudiciously used opportunities and have infringed on the rights of others until inequalities exist, and among the outgrowths have come criminals and crime. Not to establish justice, but to preserve public order, the Law has sought to vindicate justice by vengeance on the perpetrators of injustice, by infliction of penalties as punishment; and when the infliction is complete to turn the offender loose among his fellows, regardless of his disposition toward the preservation of equality of rights; whether his impulses are to thenceforth do justice or injustice.

Under the social conditions and the laws as they are, the *convicts* for crime number about one in a little over seven hundred of population, and the *criminals* number one in about four hundred. In the metropolitan centres they number one in less than three hundred. But far more appalling than this is the increase in the savagery that attends the commission of crimes, as well as the reckless boldness displayed by criminals, and the helplessness of peaceable individuals in all cases, and of the public in many cases, to defend or protect themselves. Neither the person of man, woman, or child, or the property of individuals or of government, is safe anywhere at any time. A comparatively small per cent. of the perpetrators of offences are apprehended, convicted, and subjected to the legal penalties. Forty years ago there was about one criminal in 3500 of population; and the amazing increase to the present proportion imperatively demands immediate and vigorous action to

find the causes and remove them, if we are to enjoy anything of the inalienable rights to which we are born and which we can retain only by a judicious exercise of them. Statistics gives us arrests and convictions; but that does not give us more than one-tenth of the numbers who violate the laws. There is an undercurrent, floating thousands of offenders, of which evidence, legally available, only occasionally comes to the surface.

The words "individual liberty," "personal liberty," "the rights of the individual," etc., may mean something or nothing, depending on the conditions in connection with which we use them. The law itself pays little attention to them under some conditions; under some others it allows them to be so construed as to destroy justice and overturn the public order. In this latter construction there exists a fallacy, and overwhelming danger if it be persisted in.

Formerly, severe penalties were inflicted. Recently, educational means—a sort of university course even—has been adopted for some convicts in some localities; but crime has not decreased under either method. We can look to the law only for relief and protection, and the law can afford it only by dealing with conditions as they actually exist, no matter what has created the conditions. The causes of existing conditions relating to crime will be found in the conditions themselves (paradoxical though it sounds to say it), and the law must so deal with the conditions as to remove the causes if there is to be any decrease in criminals and crimes. Mr. W. P. Andrews, in the October* *Forum*, advocates a return to severe penalties—to the vengeful element that will make the convict suffer, in place of the rose-water methods of the so-called reformatories.

In the January *Forum* Mr. Warren F. Spaulding replies, and in the *Forum* for April Mr. Andrews replies to him. While able and educational, neither article is fundamental.

It is a self-evident fact that no sewer can be cleaned by standing at the outlet and trying to purify the sewage, so

* 1891.

long as the inlet is supplied with a constantly-increasing quantity. No more can crime be reduced by punishing or trying to reform criminals so long as conditions exist that procreate criminals and crime faster than the law can arrest, and either punish or reform them. While we dispose of those existing and to exist in the best manner we can, public safety lies only in formulating and enforcing laws to remove the sources from which criminals and crimes come.

This presents the inquiry, What are those sources?

The most prolific can be found in Class-Legislation, creating inequality in social and political conditions, and in unrestricted and unrestrained marriage among those who are wholly unfit to enter into the relation, or to perform the duties to offspring or society which that relation entails upon them. The offspring either inherits a criminal mentality, or one with defective moral perception, or it is born into an environment that creates one, or both. The law not only permits but aids in keeping open this source, and generally, it neglects to remove the offspring of the vicious and depraved from the care and training of the parents, as it should do, and so prevent their being reared to lives of crime, or so reared that crime is a natural result. The fallacious distinctions made by the law itself as to the "rights of the individual," in dealing with persons and conditions, as well as in the disposition it makes of the defective classes, *creates* conditions that lead directly to increase in the numbers in those classes, and to all the evils and disorders that flow from them.

What is a criminal? One afflicted with moral obliquity of vision. One who, no matter what may be his apparent condition of bodily health, has such an anatomical and physiological arrangement of organs, as produces a perverted moral perception, or fails to produce any of sufficient strength to enable him to avoid offence. No matter how clear his perceptions may be, he lacks will power to keep him honest. He is the victim of a constitutional disease, which can be removed only by such a constitutional revolution as will give him moral perception with will power to be

guided by it. He acquired what he has either by birth and subsequent environment, or by environment alone. As to him it is immaterial which. No matter when it manifests itself the defect is normal. He is dangerous to others from the time of offence onward; and the law should isolate him from society and make him harmless and useful. There are occasional and accidental offenders who are not really criminals, whose final disposition should depend on the facts in the special case; but with others, and the great majority, whether they should ever have liberty again should depend on whether a physical revolution occurs that gives them a moral perception that will prompt them to observe order, and a will power to obey the law. As to the source from which the criminal comes, the law should remove or prohibit it as far as human effort can avail. First, prohibit marriage by a known criminal, and others unfit for the relation; second, remove children from the custody of parents whose care will create, or whose environment lead to, criminal mentality, or practices that prevent, or pervert, or destroy moral perception.

How can the law prevent improper marriages? Just as it prevents marriage between near relations, the feeble minded, the insane, those under legal age, etc. The liberty of the individual is not regarded by the law where the public peace or welfare is concerned or menaced, and the law looks only to prevention. Where children are neglected or cruelly treated, the law can take them from their parents and put them in some proper custody. Where surety of the peace is prayed, the threatening offender goes under bond or into jail. When a boat or boiler is unsafe, the owner is enjoined from using it until made safe. When a married person commits felony, the other party may have the contract annulled. The law forbids and limits the sale of spirits, in anticipation that crime may be found lurking in the glass, and in many ways personal rights are restricted. With equal right may it prevent probable crime or criminals in the marriage and intercourse of depraved, vicious, criminal, and unfit persons,

and to that end may establish a special board for inquest, as to applicants and license to marry, with ample powers, as it may and does in case of epidemics, markets, stock-yards, explosives, illuminants, provisions, contagious diseases, and many other cases where the public needs protection.

Personal liberty should be a conditional right—something to be enjoyed by the citizen on condition that he observes the public order, helps to maintain it, and exercises his citizen franchises according to law. If he makes a breach of the conditions, he should forfeit the right to liberty; be at once deprived of it, and be shut away from society and put into the service of the State; as a condition brought upon himself by himself; not as a punishment, or for vengeance, but as the legitimate operation of moral and political force put into operation by his own voluntary act, with knowledge beforehand. In this connection, the State cannot properly be required to consider his want of moral perception. If he has in him the elements of danger and has manifested it by crime, whether the cause be negative or positive, the danger is there, and that is ample cause for his isolation. It would be just as proper for the law to permit a defective and dangerous steam boiler to be pushed to the full capacity of a sound one in a public place, on the plea that the boiler is not to be blamed for being defective and dangerous, as to allow a defective and dangerous human machine to be so used by others, or to so act himself, as to injure or endanger others because he is not in fault for being defective. Pity and favors may be extended to him when put where he is no longer dangerous to the peace and order of the State; but the defective condition ought not to be considered a moment in the question of his removal from the public.

Under existing laws—generally—any one can marry. License is issued for the asking, and judicial and clerical dignitaries under its permission give vitality to the contract of marriage. The law regards marriage as only a contract.

Under sanction of law the parties can become the parents of offspring without any regard to their condition or fitness, physical, mental, social or pecuniary; and generally, the more unfit they are the more numerous are their offspring. The law is careful of life, limb and health, in many cases, as I have said; in licensing pilots; clearing ships and boats for passengers; the health of towns and cities; the erection and sanitation of buildings; the licensing and regulation of markets; the running of trains; the storage and sale of dangerous compounds; in licensing druggists and doctors; and in many other ways. Special boards of officials are charged with looking after and enforcing the law and prosecuting offenders. Even to hold some offices persons must undergo examination, prove a clear record, give bond and take an oath. To become a soldier and serve Government in learning how to kill people and destroy property according to discipline, one must be examined, found to be sound of body and mind, and take an oath. To be buried when dead often requires a permit from a competent authority after an examination. In case of contagious disease the burial must be private. In some cases the authorities take sole charge of the disposition of the dead. *To be qualified to bestow life and care for it, is more important than to know how to destroy it.* To prevent continuing injury to generations is of more importance than to prevent temporary injury to individuals.

Think of any position known to human society or human action, and the mind can fix itself upon none so important to the individual, to society and to government, as is that of parent and the responsible head of a family. No act recognized by the law is of such importance as that of marriage. Why, then, should not the State be proportionately careful of life and limb as it is in other cases? With a soldier, for instance, the contract runs only *five years*. The Government might have to keep him in hospital all the time, but that is improbable. It keeps him under discipline all the time, whether he is in hospital or on duty. But the law will license the soldier—or any other man—for the asking, to

enter into a contract with a woman *for life*, under which he will be without restraint, and he may burden the State with deformed, diseased, demented, pauperized progeny, and through them taint whole generations, if he be unfit for a parent. What logic, justice, common sense or true liberty can there be in failing or refusing to have examinations and assurance of fitness, and refuse a license to the unfit in the most important case, and enforce it in the least important?

Two reasons are given. One, that it would be an infringement of personal right; and the other, that it would increase the social evil. Further it is said, it would be humiliating to submit to examination. Would it? We submit to it in one way before we can vote, or serve on a jury, and in every way on entering a naval or military school, and in many other cases. Persons who are at all fit to marry and become parents have nothing to fear. Those who are unfit have no right in any sense to burden the public or bring into life tainted offspring. That plea is groundless. The social evil can be restrained largely by a license system including a special board of examiners and health, and a special police, to regulate and keep the licensees within legal limits. A board to attend to this special duty—licensing—has never been tried under a special system, but only under supervision of the general police, and for that reason has not been successful. Under a competent board of health and a special police for the express purpose, as part of a license system—entirely separate from the general board of health and police,—the evil can be largely regulated and deprived of many dangerous and vicious elements now having full liberty. It being impossible to suppress it, it should be regulated as far as human laws can do it.

So can a like board, to investigate as to applicants for license to marry, limit and restrain largely the marriage of unfit persons. There is no crime known that is more heinous than to bring into the world a child affected with incurable disease, physical or mental; and this includes those subject to hereditary taint from idiocy, insanity, crim-

inality, epilepsy, inebriety, scrofula, and vicious diseases, as well as those whose parents are immediately affected. There is no act more immoral than to assume the responsibilities of husband and wife, being unfit for the relation, and unable to properly perform the duties it imposes. Persons violating the provisions that should be made and marrying without examination and license, or cohabiting without marriage, or becoming parents of children viciously diseased, or of illegitimate children—all being offences that could not be concealed—should be dealt with as other criminals. They should forfeit liberty, be removed from society, be imprisoned and kept at industries for the State. Offenders would be largely in the minority, the majority would rule, and the disposition to offend grow less, when offence and detection meant civil death, with resurrection dependent on complete reformation.

It has been objected that these suggestions cannot be carried out, because enough prisons could not be built to hold the offenders; and if they could be, there would be more people on the inside than on the outside. That is a pessimistic view. It would take some years to bring the general opinion and legislation to the requisite standard, but they would gradually and certainly reach it, if the effort be once begun and persisted in, and men would wonder why it had not been done sooner. Like all radical reforms it would meet opposition, but being based on truth it would progress, and the common mind only needs to comprehend it to make it a fact accomplished. As it progressed asylums and prisons would decrease in population, and moral force would aid legal force. The change would be nothing like as radical as the change from polygamy to monogamy has been, or from religious despotism to freedom of conscience.

Common sense and common observation leave little if any doubt that if it once comes to be understood that an act of crime will operate to forfeit liberty and the offender will pass out from among his fellows to prison walls and to labor for the State, with no right to return, and that henceforth his

world will be within the prison walls, men will be cautious; evil impulses will be held more in restraint. Not one crime would be committed where a hundred are now. Restoration to liberty might come on conditions, *but the conduct to create the conditions would be very largely a complete reformation.*

Penalties never have prevented and never will prevent crime, except in occasional individual instances. Largely, they are a barrier to reform when the State attempts to inflict them. Unlimited commitment disposes of the criminal, guards against progeny from him, decreases public danger in both directions, and offers guarantees for the future as against each one shut away; while it makes the offender useful, gives him opportunity to reform, and he can again have liberty if reformed.

There is universal advocacy of education and reliance upon it as the certain source of ethical force; as the universal panacea for all kinds of social and political disorder. Let us consider it briefly in connection with our subject.

Giving one an education, without giving him a practical knowledge how to use it as it is acquired, is a mere cramming. Education of a person of vicious mentality, unless it can be made to build up a dominant and active moral perception, is like stuffing with decaying food an already putrefying object. Education of one who has no moral perception or moral sense, while intellectual perception in other respects may be active, is like using a handsome but defective cannon in a battery, with the best explosives; or a dangerous compound in a chemical process without the proper apparatus to secure safety. It is playing with fire in a powder magazine, or sharpening the claws and filing the teeth of the man-eating tiger, against the coming of hunger and a victim.

As a *cure*, it cannot be relied on. As an *experiment*, it is a necessity. First, to demonstrate whether the moral sense to rightly use it will be developed in its acquisition, so the subject will be a self-sustaining, orderly person, and if not, so he may be more useful to the State in the confinement to which it must subject him for safety if disorderly. Educa-

tion can only be a means to a right use of opportunities; and such a use is the only means to a true civilization. Liberty is one of the opportunities; but a right to liberty, and such a use of it as will preserve public order, are counterparts; are interdependent. Without order, there can be no stable enjoyment of liberty. Therefore, the penalty of such abuse of liberty as disturbs order should be the forfeiture of the right to liberty. The law should be so made and should so operate. Education should be directed to the development of such mental balance as will induce and enable the recipient to so use liberty as to preserve order. And so of every other opportunity—use it to the most judicious advantage for the individual and for the community as an aggregate.

If, from ignorance or from want of moral perception or will power, or from vicious propensity, any one cannot avoid the wrong use of opportunities and disorder results, the motive goes for nothing—the result is dangerous—and the offender should be put out of the way where he can do no harm and can be made useful in his own support and that of his class. If the mental organization be such that it will receive education, and the education will create moral perception, and moral will to so apply it as to make the best use of opportunities in the struggle for life, liberty and happiness, this constitutes civilization to the extent of the education. But if the mental organism be such that moral perception and moral will are not created, the education will be a means to the creation of disorder more dangerous than comes from ignorance; will give power to vicious propensities; and will become a means to the destruction of civilization. In such a case liberty should be forfeited; and the individual, under restraint, be made to put the education to the best use attainable as an apprentice to labor for the State.

The word education covers all acquisition of knowledge, of whatever sort. The mechanical manipulations of a laborer, skilled or unskilled, are his education to the extent of his knowledge. Scholastic education opens the view to

wider knowledge, to more extended opportunities; but it is not true education unless, in its acquisition, the way to apply it in the use of the opportunies disclosed by it is also taught and acquired as a part of the education. It is this ability to make practical use of knowledge, and this ethical force to reach moral ends in the use, that enables education to produce civilization. Without such use, it becomes a means for producing the most dangerous criminals and cruel despotism.

Unless the acquisition of broader and higher knowledge produces ethical perception and operative force, it must and will produce the opposite. We might as well try to drive back an advancing fog by fighting it with our fists, as to try by any means to check the currents of crime and the increasing numbers of offenders, paupers and other defectives, while maintaining conditions that produce them faster than we can dispose of them.

Of course, there will be offenders and defectives as long as man exists. There will be cruelty and injustice, both in individuals and in legal methods. But there can be improvements and ameliorations in conditions, effecting limitations and restraints, far beyond anything that can come of the conditions we permit and submit to now; and with them would come clearer moral perceptions and greater sense of safety, with a truer education, and a higher civilization as the legitimate counterpart.

C. H. REEVE.

Plymouth, Ind.

PERSONAL NOTES.

Amherst College.—Professor John B. Clark,* of Smith College, has been appointed Professor of Economics at Amherst. He will for the present year do duty at both institutions, besides delivering a course of lectures at Johns Hopkins University. To the list of publications already given in a former number of the ANNALS should be added the essays:

"Distribution as Determined by a Law of Rent."—*Quarterly Journal of Economics.* April, 1891.

"The Statics and Dynamics of Distribution." *Ibid.* January, 1892.

"Patten's Dynamic Economics." ANNALS, July, 1892.

Dr. Charles A. Tuttle has been appointed Associate Professor of Political Economy and International Law at Amherst College. Prof. Tuttle was born at Hadley, Mass., in 1861, and graduated at Amherst in 1883. He was Principal of the High School at Ware, Mass., in 1883–4. In August of the latter year he went to Germany, where he studied economics, international law and general constitutional and administrative law, taking the degree of Ph. D. in those branches, *insigni cum laude*, in July, 1886. While in Germany Dr. Tuttle was appointed Instructor in Political Economy at Amherst and entered on his duties in September, 1886. In 1887 International Law was added to Dr. Tuttle's work, and since that date he has had entire charge of the work in his branches. He has published:

"The Wealth Concept. A Study in Economic Theory." ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, April, 1891.

Bryn Mawr College.—Prof. Franklin H. Giddings† has been elected Professor of Social Science, and reëlected Lecturer on that subject at Columbia College. Prof. Giddings has been Associate Professor at Bryn Mawr for a number of years.

* See ANNALS for October, 1890, p. 291.

† See ANNALS for September, 1891, p. 105. (Vol. II., p. 249.)

Harvard University.—Professor Wm. J. Ashley of the University of Toronto has been appointed Professor of Economic History at Harvard University. Professor Ashley was born at London in 1860, and graduated at the University of Oxford in 1881. He was elected Fellow of Lincoln, and Lecturer in History at Lincoln and Corpus Christi Colleges. In 1888 he was appointed Professor of Political Economy and Constitutional History at the University of Toronto. He has published:

"James and Philip van Artevelde." London. 1883.

"Introduction to English Economic History and Theory." London. Part I., 1889. Part II., 1892.

"What is Political Science?" Inaugural lecture. Toronto. 1888.

"Early History of the English Woolen Industry." Publications of American Economic Association. Vol. II., No. 4. 1887.

"Character of Villein Tenure." ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE. January, 1891.

"Destruction of the Village Community," *Economic Review.* July, 1891.

"The Rehabilitation of Ricardo." *Economic Journal.* Sept., 1891.

"Gen. Booth's Panacea." *Political Science Quarterly.* Sept., 1891.

"Methods of Industrial Peace." *Economic Review.* July, 1892.

Dr. Charles Gross, who has for the past four years held the position of Instructor in History at Harvard University, has recently been appointed Assistant Professor. He was born in Troy, N. Y., February 10, 1857. He acquired his preparatory education in the public schools of Troy and entered Williams College, where he graduated in 1878. After teaching a year in Troy Academy, Dr. Gross went abroad for nine years. The period 1879–83 he spent in Germany and France, studying at the Universities of Leipzig, Berlin, Göttingen, Munich and Paris, receiving the degree of Ph. D. from the University of Göttingen in 1883. The succeeding four years, 1884–88, were spent in England in the investigation of municipal history. On the death of Professor Ernest Young, of Harvard, whose loss was so keenly felt by all who had enjoyed the benefit of his remarkably profound scholarship, the University was fortunate in secur-

ing Dr. Gross whose rare attainments and exceptional preparation make him a worthy successor to Professor Young.

His recent work on the Gild Merchant has been accorded a flattering reception on both sides of the water for its complete and scholarly treatment of the subject.

Dr. Gross has contributed various papers to *La Revue Historique*, *The English Historical Review*, *Antiquary*, *Nation*, *Political Science Quarterly*, *etc.* His chief works are:

"Gilda Mercatoria." Göttingen, 1883.

"The Affiliation of Mediæval Boroughs." London, 1885.

"The Exchequer of the Jews of England." London, 1887.

"The Gild Merchant." London, 1890. 2 vols.

"A Classified List of Books relating to British Municipal History." Cambridge, U. S. A., 1891.

"Translation of Lavisse's Political History of Europe." New York, 1891.

Prof. F. W. Taussig has been elected Professor of Political Economy at Harvard University. He was born in 1859 and took the degree of A. B. at Harvard in 1879. At the same institution, he took the degree of Ph. D. in 1883 and that of LL. B. in the Law School in 1886. In 1886 he was appointed Assistant Professor of Political Economy, which position he has held up to the present time. Prof. Taussig has been associated with Prof. Dunbar in editing the *Quarterly Journal of Economics*. He has published:

"Workmen's Insurance in Germany." *Quarterly Journal of Economics*. Oct., 1887, also *Forum*. Oct., 1889.

"Tariff History of the United States, 1789-1888." New York. 1888.

"How the Tariff affects Wages." *Forum*. Oct., 1888.

"Some Aspects of the Tariff Question." *Quarterly Journal of Economics*. April, 1889.

"Silver Question in the United States." *Ibid.* April, 1890.

"How the Silver Act Works." *Forum*. Oct., 1890.

"La Tariffa McKinley." *Giornale degli Economisti*. Jan., 1891.

"The McKinley Tariff Act." *Economic Journal*. June, 1891.

"A Contribution to the Theory of Railway Rates." *Quarterly Journal of Economics*. July, 1891.

"Silver Situation in the United States." Publications of the American Economic Association. Vol. vii. No. 1. Jan., 1892.

"Working of the Silver Act in the U. S." *Economic Journal*. June, 1892.

Indiana University.—Professor John R. Commons,* of Oberlin, has been elected Professor of Political Economy, to fill the vacancy caused by the removal of Professor Ross† to Cornell.

Leland Stanford, Jr., University.—Frederick C. Clark, of Ann Arbor, has resigned the position he has held in the City High School for the last four years, to accept the Assistant Professorship of Political Science in the Leland Stanford, Jr., University. Dr. Clark was born at Princeton, Bureau Co., Illinois, August, 1865. Prepared at the Princeton and Ann Arbor High Schools, he entered the University of Michigan in 1884 and received the degree of A. B. in 1887 and that of A. M. 1888. His studies for the doctor's degree, which he received in 1891, were Political Economy, with the Constitutional History of England, and International Law, as minors. During the four years which Dr. Clark has taught in the high school he has devoted his attention to developing the department of History and Political Science, which he leaves in a flourishing condition.

Besides articles relating to the management of railroads, etc., in various periodicals, Dr. Clark has published :

"Topical Studies in General History." Ann Arbor, 1889.

"State Railroad Commissions, and How they May be Made Effective." (Doctor's Dissertation.) Publications of the American Economic Association. Vol. vi., No. 6. 1891.

Massachusetts Institute of Technology.—President Francis A. Walker has been appointed one of the Commissioners to represent the United States at the coming International Monetary Conference. A son of the economist Amasa Walker, Dr. Walker was born in Boston on July 2, 1840, graduated at Amherst in 1860, and began the study of law at Worcester. He joined the Massachusetts Volunteers and served with distinction in the war, leaving the army as brevet brigadier-general of volunteers. For a time

* See ANNALS for November, 1891, p. 78. (Vol. II., p. 366.)

† See ANNALS for May, 1892, p. 111. (Vol. II., p. 843.)

he taught the classic languages in the Williston Seminary, and was later an assistant editor of the *Springfield Republican*. In 1869 he became Chief of the Bureau of Statistics in the United States Treasury Department, and in 1870 Superintendent of the Ninth Census. During 1871–72 he held in addition to the Superintendency of the Census, the office of Commissioner of Indian Affairs. In 1873 he was elected Professor of Political Economy and History in the Sheffield Scientific School of Yale University, and held this position until 1881, when he accepted the Presidency of the Massachusetts Institute of Technology. During this period he occupied public positions as Chief of the Bureau of Awards at the Philadelphia Exposition, and as Superintendent of the Tenth Census. President Walker is an active member of scientific bodies, and has contributed much to their success. He is Vice-President of the National Academy of Sciences, President of the American Statistical Association, member of the Advisory Committee of the American Academy of Political and Social Science, President of the Military Historical Society of Massachusetts and was President of the American Economic Association for a number of years. He is a member of the International Statistical Institute, and an honorary fellow of the Royal Statistical Association. The honorary degree of LL. D. was conferred upon him in 1881 by Amherst and Yale, in 1883 by Harvard, in 1887 by Columbia, in 1888 by St. Andrews, Scotland, and in 1892 by the University of Dublin. His official writings include Annual Reports as Superintendent of the Ninth Census, 1870–72; as Commissioner of Indian Affairs, 1872; and as Superintendent of the Tenth Census, 1879–81, and the following:—

"Commerce and Navigation of the United States." 2 vols. 1868-69.

"Ninth Census." 4 vols. 1872–73.

"Statistical Atlas of the United States." 1874.

"Judges' Report on Awards." 8 vols. 1878.

"Tenth Census." 24 vols. 1883 *et seq.*

President Walker has been a frequent contributor to the reviews, has delivered numerous addresses on economic, educational and military themes, and has published the following works :—

"The Indian Question." Boston. 1874.
"The Wages Question." New York. 1876.
"Money." New York. 1878.
"Money, Trade and Industry." 1879.
"Land and its Rent." Boston. 1883.
"Political Economy." New York. 1883 and 1887.
"History of the Second Army Corps." New York. 1886.
"Protection and American Agriculture," in "The National Revenues." Chicago. 1888.
"First Lessons in Political Economy." New York. 1889.

Northwestern University.—John Henry Gray has recently been appointed Professor of Political and Social Science in Northwestern University at Evanston, Ill.

Born at Charleston, Ill., March 11, 1859, Mr. Gray prepared for college in the high school of the State Normal University, completing at the same time the course of study in the normal department of the same institution. After holding the position of Principal of the High School of Centralia, Ill., for one year, Mr. Gray entered Harvard College in 1883. He began the study of Political Economy in his sophomore year, devoting himself from that time chiefly to this and closely allied studies, and graduated in 1887 with special honors in Political Science. Upon the resignation of Professor J. L. Laughlin in 1888, Mr. Gray was appointed Instructor in Political Economy at Harvard, a position which he held until June, 1889, when he went abroad to continue his studies. In the foreign universities Mr. Gray devoted especial attention to Administration and Administrative Law, spending two semesters at Halle with Professors Conrad and Loening; seven months at Paris, studying with Levasseur, Leroy-Beaulieu, Sorel, De Foville and others; one semester at Vienna with Karl Menger, Boehm-Bawerk and v. Miaskowski; then somewhat more than a semester at

Berlin with Wagner, Schmoller and Gneist. The doctor's degree was granted him in 1892, by the University of Halle, *magna cum laude*, his thesis being—*Die privaten Gas-Gesellschaften.* This will appear in the *Jahrbücher für Nationalökonomie und Statistik*, in three parts. During his stay abroad Mr. Gray traveled extensively, visiting not only the countries of western Europe but Greece and the Balkan states as well.

Vanderbilt University.—The vacancy caused by the removal to the Chicago University of Professor Edward W. Bemis,* has been filled by the election of Frederick W. Moore,† of the University of Pennsylvania, as Adjunct Professor of History and Political Economy.

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IN accordance with our custom, we give below a list of the students in political and social science and allied subjects on whom the degree of Doctor of Philosophy was conferred at the close of or during the last academic year :‡

COLUMBIA COLLEGE.—Charles H. J. Douglas, A. M. Thesis: The Financial History of Massachusetts.

Edmund Steele Joy. Thesis: The Right of Territories to Become States in the Union.

CORNELL UNIVERSITY.—Andrew Estrem, A. B., A. M. Thesis: The Statesmanship of William H. Seward as seen in his Public Career prior to 1861.

John Evenson Granrud, A. B., A. M. Thesis: A Decade of Alexander Hamilton's Public Life.

JOHNS HOPKINS UNIVERSITY.—Frederick Clemson Howe, A. B. Thesis: A History of the Internal Revenue System.

William Isaac Hull, A. B. Thesis: Maryland. Independence, and the Confederation.

Paul Erasmus Lauer, A. B., A. M. Thesis: Church and State in New England.

* See ANNALS for July, 1892, p. 90.

† See ANNALS for November, 1891, pp. 79, 80. (Vol. II., p. 367.)

‡ See Vol. I., p. 293, for Academic Year 1889-90; Vol. II., p. 253 for 1890-91.

Michael Andrew Mikkelsen, A. B., A. M. Thesis: The Bishop Hill Colony.

William Amasa Scott, A. B., A. M. Thesis: The Repudiation of State Debts.

YALE UNIVERSITY.—Edward G. Bourne, A. B. Thesis: The Demarcation Line of Pope Alexander VI.

Francis W. Shephardson, A. B., A. M. Thesis: A Study of Some of the Scotch-Irish Settlements in the American Colonies.

Amos Parker Wilder, A. B. Thesis: The Municipal Problem.

FOR the academic year 1891–92, appointments to fellowships and post graduate scholarships have been made in our leading institutions as follows:

BRYN MAWR COLLEGE.—Fellowship in History, Jane B. Haines.

COLUMBIA COLLEGE.—University Fellowships in Political Science, J. M. Littlejohn, A. M., B. D., LL. B.; J. A. McLean, A. B.; W. Z. Ripley, B. S.; Francis Walker, B. S.; Max West, B. S.; S. F. Weston, A. M.; Seligman Fellowship, F. A. Wood.

CORNELL UNIVERSITY—Fellow in Modern History, Victor Edwin Coffin, A. B.; in Political Economy, Clyde Augustus Duniway, A. B.; in Political Science, David Kopp Goss, A. B.

HARVARD UNIVERSITY.—Fellows in History, William G. Brown, A. B.; Ralph C. H. Catterall, A. B.; Herbert D. Foster, A. B., A. M.; Evarts B. Greene, A. B., A. M.; in Political Science, Wm. Hill, A. B.; David F. Houston, A. B.; Emberson E. Proper, A. B.; Geo. O. Virtue. Traveling Fellow in Political Science, Jas. B. Scott, A. B., A. M.

JOHNS HOPKINS UNIVERSITY.—Fellow in History, James Alton James, B. L.; in Political Economy, Lucius Salisbury Merriam, B. S.

UNIVERSITY OF WISCONSIN.—Fellow in Economics, David Kinley, A. B.

BOOK REVIEWS.

PUBLIC FINANCE. By C. F. BASTABLE, LL.D. Pp. xx and 672. London and New York: Macmillan & Co. 1892.

The gods are at last propitious: the English speaking world has a text-book of "Public Finance." Hostile criticism is disarmed at the very beginning by the fact of the imperative necessity for such a book. Professor Bastable's name, moreover, carries with it the presumption of excellence. Best of all, an examination of the book furnishes conclusive evidence that one's hopes are not to be disappointed. It is the right book to meet the call of the time. It is true that few colleges in the country give place enough for so extended a course in public finance as this text-book would require; but it is to be counted one of the merits of the book that it will stimulate the development of such courses. It avoids on the one hand the Scylla into which Professor Cossa's little book, translated by Horace White, has fallen—a condensation which obscures, and renders the book incomprehensible to elementary students; and on the other hand it runs clear of the Charybdis which has been the fate of most German and French authors—an expansion, which makes their works unavailable to any but advanced specialists. Professor Cohn's recent work (now in process of translation into English) although one of the shorter of the German treatises, is probably twice as bulky as the volume before us. The clear and forcible style of the author makes it a pleasant task to read the book. In this respect Professor Bastable will occupy the place among the English writers which Leroy-Beaulieu holds in France, and Gustav Cohn in Germany.

Whatever may be the general judgment as to the originality of Professor Bastable's work, it must be conceded that he is original, at least, in this—both in being the first

writer in English to produce a systematic treatise on finance and also in recognizing the fact that the pioneer work should be, before all else, a good text-book. This latter aim he has kept in view throughout. Even when strongly tempted into the wider discussion of timely topics, he has resolutely held to his main idea; not scientific research primarily, but an educative manual; not so much an exposition of new facts or new views, as a systematic presentation of the general results reached by previous authors and by his own thought. It is safe to say that nowhere else in English could the student find so good an introduction to the subject of public finance—and that nowhere else in the literature of finance could he find a better. Not even to Leroy-Beaulieu or to Cohn would we yield the preference.

But to speak more particularly as to the characteristics of the book—one notices that an instinct, patriotic and at the same time scholarly, has led the author to cast his work in the mould of Adam Smith's. He has studied widely the most recent authors, he admits his indebtedness to Leroy-Beaulieu, Wagner, Cohn, Roscher and others; yet he has chosen Adam Smith as his model. In one sense it may be said that he has simply brought Adam Smith down to date, and demonstrated anew the essential continuity of English economic literature. But after all he could not, perhaps, have done otherwise, for unquestionably Adam Smith has determined the form of all subsequent writing on finance. Smith's general divisions of the subject, his chief distinctions, many of his points of detail, have largely fixed the lines of subsequent inquiry and discussion. This is typified in his "Canons" of taxation, which have been a bone of contention among nearly all the writers since his day. The Germans have never gotten away from the form of Smith's work. All this is not to say that Smith created the distinctions, but simply that he saw them as they were in fact. But granting this, does not detract from the merit of those who have followed him. If the Germans have used his frame-work, they have built upon it with new

material. Our author, likewise, has been cosmopolitan in his collection of material. It is distinctively a comparative study. As a general treatise it is admirable for its impartial choice of illustration. Germany, Italy, France and the United States are ranged side by side, when existing systems are described. The attention is not confined to the English system as the case too often is in English treatises. Some of the best features of the continental writers on finance are observable in Professor Bastable's book—their minute analysis, their logical continuity, their fullness of detail, their philosophic breadth, their insistence upon the historical continuity and growth of institutions. It is thoroughly scientific in character—that is, as a scientific text-book.

To Adam Smith's threefold division of the subject into Public Expenditure, Public Revenue and Public Debts, another topic is added—"Financial Administration and Control." This has not always been treated as a division co-ordinate with the others; yet it undoubtedly deserves such rank. The financial mechanism of a State is a subject of the very first importance in dealing with the subject of the finances, and recent writers have generally recognized this fact.

Another praiseworthy feature of the book is the prominence given throughout to the distinction between general and local finance and to their mutual relations—their complemental character as parts of a unified system. In no other point does the wideness and the clearness of view of the author appear to better advantage than here. Different systems of local administrative division and activity are compared with all the detail necessary in so general a work, and with the result that the book might be used with fair success as an introduction to the science of administration.

The second division, "Public Revenue," forms naturally the main body of the work, filling four hundred pages, of which three hundred are devoted to a detailed discussion of "The Principles of Taxation," and "The Several Kinds of Taxes." He traces the historical development both

of thought and practice, not in the spirit of a compiler, but with abundance of critical comment and systematic exposition of principles. References abound to other authors, so that the student has at hand a guide to the entire subject. The whole book is written in a tone of calm and philosophic earnestness without partisan heat. He remains an Englishman, it is true, but an Englishman without grudge against his neighbors.

The introductory chapter contains an interesting discussion as to the place of "Public Finance" among the sciences, and a valuable account, all too brief, of the development of financial literature. His conception of the "State" might well be criticised, for he makes it synonymous with "governing body" (page 1). He justly condemns the doctrines of Leroy-Beaulieu and the practice of many other writers who regard public expenditure as not a legitimate part of the science of finance; and very strikingly connects this shortsightedness with the failure of economists generally to recognize the importance of consumption in their science. He favors the idea that public finance is not strictly a part of economics, but is essentially a separate science, granting only that "an acquaintance with economic science is an indispensable part of the equipment of the student of finance." In this position as in other parts of his book he plainly shows his conservative mind. The latest trend of economic doctrine has not given direction to his thought. Indeed, he distinctly disclaims more than a slight leaning toward some of the views of the Austrian economists. Yet in many places the new point of view becomes apparent. His conception of "State wants" is in line with the new doctrines. He says further, (page 8,) "State outlay is a part of the consumption of the society of which the State is the regulating organ, and for a knowledge of the conditions that govern it we must have a theory of the consumption of wealth in general." Such an admission would be fatal were he to follow it out to its logical consequences. It would lead inevitably to the conclusion which the new school contends

for, that consumption and value are the fundamental ideas of economics and that economics include the whole field of social activity in which consumption is the fundamental fact. Economics would become not merely an aid to finance, but its essence.

In discussing the relation of finance to history he brings out the need for comparative study. He adopts both the "deductive" and the "inductive" methods of research. In short, he is a true eclectic. He belongs strictly to no single school.

What he says suggests the question whether history can be properly called a distinct science. May not history be, after all, in one sense a *method*, and in another sense a *field of inquiry*, belonging in both senses to all sciences, whether physical or social? Diderot has finely said that to every science there are three divisions—the historical, the theoretical and the practical; the first dealing with past systems, the second with existing facts, the third being the conscious attempt to direct the future.

It is not intended by this review to leave the impression that the book is faultless. Many points of detail might be controverted. But we need just such a book in the main as Professor Bastable has given us and we welcome it with enthusiasm. It is what it aims to be, a scientific text book. It is to be hoped that it will prove the inspiration of other works, in which scientific research shall be the avowed object.

SIDNEY SHERWOOD.

Johns Hopkins University.

THE AMERICAN CITIZEN. By CHARLES F. DOLE. Pp. xvi. and 320. Boston: D. C. Heath & Co. 1891.

In a democratic republic the standard of citizenship is a matter of paramount political importance. What the average citizen feels compelled to do politically, his sense of public responsibility—in a word, the civic habits of the *demos* are of even greater importance than the machinery

of government or the conditions of representation. They give life to constitutional forms and determine the real character of the republic.

Of greatest importance, perhaps, is the degree of liberty and freedom common in the community, the power of political choice and the extent to which it is exercised, the desire, the opportunity, the justification for forming new political habits and changing the standard of civic life. An author is thus doing the cause of good government a great service who writes the book that may with propriety be dedicated "to AMERICAN CITIZENSHIP after the type of Washington, the Adamses, and Lincoln, noble, devoted, disinterested, magnanimous, fearless, reverent," and who writes it in such a style that it will prove effective in the hands of those who are just forming or who are in a condition to reform their habits as citizens.

In these days of ballot reform and civil service reform, of tariff reform and temperance reform, a text is needed which presents fundamental principles in a light to be understood by all, which gives impartially two views of a doubtful question, which is short enough to attract all and yet not so brief as seriously to mislead any, which comprehends the whole field of civic duty and responsibility but does not leave the impression of completeness and finality. Such a book is Mr. Dole's "American Citizen." It is written particularly for those young people who are students and who cannot pursue an extended college course in economics and politics; who must become citizens and are anxious to act intelligently in regard to the various problems of the day. The interest of the average reader is secured in an introductory chapter concerning the beginnings of citizenship at home, in the school-room, on the playground. In an entertaining manner the author traces the development from savage anarchy through organized barbarism to the voluntary co-operation of civilized life and emphasizes the principles which bind men together in society—respect for others, obedience to justly constituted authority, mutual responsi-

bility. From these he draws in the succeeding parts the political, the economic, the social, the international *duties* of citizens. Covering a wide field the book is necessarily somewhat fragmentary and at times disconnected. It is not clear, for instance, why a brief disquisition on the school system (Chapter xvii.) should be sandwiched in between a chapter on tariff reform and one on civil service reform. The political economy (Part III.) is of that severely simple type which draws its illustrations from the primitive conditions of society and is content with lisping the old formula of "the law of supply and demand," "which," the author adds, "requires to be controlled and supplemented by friendliness" (p. 189).

Certain of the practical conclusions are also so colorless as to be of little value. "It would not be fair for a teacher who was supported by all the people to try to persuade the children of Democrats to become Republicans" (p. 105). "Although it is the general duty of the citizen to vote, there may be cases in which one cannot conscientiously vote" (p. 140). The latter conclusion must be consoling to the third of the voters in New England, who constitutionally refrain from exercising the right of suffrage.

When, however, the author comes to the discussion of the citizen's duties to his government (Chapter xxii.) and, in Part IV., to a consideration of social rights and duties, or, the duties of men as they live together in society, he is neither severely simple in method, nor halting in his conclusions. A high purpose, a strong conviction, deep thought, are everywhere evident. The following quotations are characteristic: "It is a grave question, whether our laws do not work more harm than good through our use of jails and prisons. It is as if we sent cases of measles, scarlet fever, and small-pox, all to the same hospital, and treated them alike."

"The fact is, that the death penalty has never prevented bad or hot-tempered men from committing murder, neither has it made careless men feel the sacredness of human life."

"It was found, that the more money was given to the poor, the poorer they became." "The motto of modern charity is: '*Not alms, but a friend.*'"

"True men gladly accept the same standard of purity for men and women."

The book is one every citizen, earnest for the welfare of the country, should read, ponder and appropriate.

ARTHUR BURNHAM WOODFORD.

College of Social Economics.

THE FEDERAL POWER OVER COMMERCE AND ITS EFFECT ON STATE ACTION. By WILLIAM DRAPER LEWIS, Ph. D., Member of the Philadelphia Bar. Pp. 145. Philadelphia: University of Pennsylvania Press. 1892.

Our system of government, in respect to the relation between its different departments, is one of checks and balances. The same is true of the relation existing between the States and the Federal Government; and the same check that is competent to mark the bounds of departmental authority is competent also to mark the boundary between State and Federal action. This check is to be found in the Federal Supreme Court. It is in the power conferred upon this court by the Constitution that harmony is guaranteed and justice insured to both State and national governments.

It was the implied intention of those who framed the Constitution that the Supreme Court should interpret that fundamental law in the light of present existing circumstances and conditions. They foresaw that, as the country developed, constitutional ideas would develop *pari passu*, that all the departments of government would be influenced by the power of current opinion, and that whatever stage of advancement national ideas should reach, the Supreme Court would still remain the champion of such ideas, and its opinions still be the crystallized exponent of constitutional thought.

Of all the changes that have come upon us in a hundred years those in the domain of commerce have been most marked and the most important; and yet the legal interpretation of that term has kept pace with legislative enactments, so that the balance between State and Federal governments in the matter of the regulation of commerce is still preserved according to the intent of the constitution.

To trace the development of these constitutional ideas as set forth in the opinions of the Federal courts is a most interesting and instructive study, as one will find by reading the monograph before us. The author begins with an exposition of the term "commerce," then devotes the first half of the paper to the interpretation of this power from the "exclusiveness of the power of Congress" as set forth by Hamilton and Marshall, the former in *The Federalist* the latter in the case of Gibbons *vs.* Ogden, through all the changes and conflicts down to the latest decisions of the court. The bearing of all the leading cases on the subsequent opinions of the court is shown, and we are led to see the elimination of certain ideas and the enthronement of others which have resulted from the changed methods of communication and a constantly expanding environment, thus indicating the principle that public opinion sooner or later moulds the law.

The latter part of the monograph is concerned with a discussion of the State power of taxation and the State police power, a chapter being devoted to each. The final chapter, and one of especial value, treats of the doctrine of the "silence of Congress." In this connection, the recent cases of Bowman *vs.* Chicago, Leisy *vs.* Hardin, and *In re* Rarhrer are considered as furnishing the latest and at the same time most satisfactory opinion of the court upon the Federal power over commerce. As Dr. Lewis states, "they lay down for the guidance of the future members of the bench a rule of interpretation of the will of Congress which is eminently fitted to the social and economic conditions which surround the buying, selling, and transportation of commodities."

In viewing its merits, the faults of the work must not be overlooked. Throughout, a certain lack of care and attention to details is manifested, that detracts from the value of a work of this kind, where citations should be accurate and complete, and the sentences clear and unmistakable. Again, a freer use of dates would have increased the interest and produced greater clearness in the historical view. To the lawyer the date of an opinion may have but slight significance, but to the student of the constitution and to the economist it is an essential feature.

Considering the appellate nature of the Federal courts, the monograph, we think, ought to have included some, at least, of the opinions of the lower courts, especially in cases of marked importance and in cases where decisions were reversed by the Supreme Court. The reasons for this are obvious. A work without these is necessarily incomplete, and constitutes, at most, but a chapter in this great subject.

A complete treatise on the Federal power over commerce still remains to be written. Dr. Lewis's monograph indicates the most satisfactory method of treatment, and the most practical and logical arrangement for such a work.

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NOTIONS FONDAMENTALES D'ÉCONOMIE POLITIQUE ET PROGRAMME ÉCONOMIQUE. Par M. G. DE MOLINARI, Correspondant de l'Institut, Rédacteur en Chef du "Journal Des Économistes." 466 pp. Paris: Guillaumin et Cie. 1891.

This work cannot fail to interest both theoretical and practical readers. As the title implies, political economy—and that, too, of the strictly orthodox type,—is made the basis of an "economic programme." The work is, in fact, an attempt on the part of a *laissez-faire* economist to meet socialism with a plan of social reform. The author demonstrates the essential weakness of socialism, but does not stop with merely negative work. He attempts to show that

natural laws have always governed society and determined its progress, and that ignorance or misunderstanding of these laws has been and is still the source of the evils which afflict the human race. He is, at the same time, both philosopher and reformer.

In a long introductory chapter, the author traces the operation of natural economic law in the evolution of superior races and of superior political and economic institutions.

The rest of the work is divided into three parts. In the first part, the author gives a general statement of economic principles; traces the genesis of capitalistic industry; discusses at length, the processes of production, distribution and consumption; shows that political economy has for its aim to give man a knowledge of natural economic laws, and that man, in order to utilize these laws to his advantage, must have property and liberty; and closes with a chapter on the organization of society according to natural law, comparing natural law with positive law and showing that positive laws are useful or harmful, according as they are or are not in harmony with natural law.

In part second, the author presents in nine chapters a valuable discussion of the elements of economic progress and the obstacles which it encounters. This part prepares the way for the concluding and practical part of the book. Here the author has done the world a real service, in meeting socialism with a programme of social reform in harmony with natural economic law. Socialism ignores natural economic law, and herein consists its essential weakness. But socialism boasts a solution of the social problem. Therefore, the economist is compelled to assume the rôle of the reformer and show that there are forces at work in society, which promise a solution of this problem. The author presents as the principal elements of his positive programme of reform, free trade, security against war, the simplification of the State, the unification of markets, measures for securing perfect mobility of labor and a perfected self-government of the individual. This programme will

meet with the approval of a large number of readers, as offering all the positive changes, for which it is desirable to strive. The author closes this part of his work with a valuable discussion of the limits of economic reform (chapter vi.) and a statement of the method by which he would secure the realization of his programme (chapter vii.). He advocates the educational method and contrasts it with the revolutionary and parliamentary methods of the socialists; refers to the services of the Cobden Club to the cause of free trade, and suggests the organization of a "Cosmopolitan Association" for educational purposes. He would defeat socialism by bringing to the people the knowledge of natural economic laws, the evil effects of all reforms out of harmony with these laws, and the beneficent effects of all those in harmony with them.

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NOTES.

A PARTIAL report on Retail Prices and Wages has been submitted to the Senate and printed by the Committee on Finance, in accordance with the resolution of March 3, 1892, instructing the committee to ascertain "in every practicable way" the "effect of tariff laws upon imports and exports, the growth, development, production and prices of agricultural and manufactured articles at home and abroad, and upon wages, domestic and foreign." The present report deals with but one phase of this extensive inquiry, namely, changes in retail prices and wages during the period between June 1, 1889, and September 1, 1891. It is very necessary that this partial character of the report should be borne in mind if its scientific quality is to be fairly judged. No attempt, for example, is made to answer the question whether the tariff is a tax, *i.e.*, whether the tariff duty is added to the price paid by the consumer. What has been attempted, and, there is every reason to believe, accomplished in a way to afford great satisfaction to all who are interested in the progress of sound scientific methods in statistical research, is an answer to the question: Has the level of retail prices changed during the period under consideration, and if so, by what per cent.? As all economists know, there are various methods of dealing with a problem of this kind, from the simple arithmetical averaging of a list of price quotations, the arithmetical mean of which is called an index number, to complicated computations of index numbers which stand for the relative importance of different articles in the consumer's budget, as well as for changes in price. The scientific interest in the present inquiry centres in the refined method of obtaining index numbers adopted by Professor Roland P. Falkner, the statistician to whom the investigation was entrusted. By means of the elaborate

consumers' budgets furnished by the Department of Labor in its report on Cost of Production the relative importance to the consumer of 214 selected articles was ascertained. These percentages of relative importance have been combined with the price quotations in the index numbers used, so that when the report states that, the level of prices on June 1, 1889, being designated by the index number 100, it had fallen by September 1, 1891, to 99.56, the reader is to understand that it is not the mere arithmetical average of prices that has thus fallen, but the level of prices according to their importance to the consumer, as shown by the most elaborate budgetary figures ever used in an investigation of this kind. This explanation is enough to show the scientific quality of this work. A further report on wholesale prices covering the period since 1860 will be awaited with great interest.

AT JOHNS HOPKINS UNIVERSITY, the graduate work in economics will consist during the coming year of a series of lecture courses, to be given as follows: Professor J. B. Clark, of Smith and Amherst, a course on economic theory; President Gilman, a brief course on social science; Dr. E. R. Gould, a course on social movements in Europe; Professor H. C. Adams, of Michigan, a course on finance and public debts; Professor A. G. Warner, Superintendent of Charities, Washington, D. C., a course on charities and their administration; Professor Woodrow Wilson, of Princeton, a course on administration; Dr. Sidney Sherwood, a course on money and banking; Dr. Albert Shaw, a course on American municipal government.

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OF

POLITICAL AND SOCIAL SCIENCE.

THE EFFECTS OF CONSUMPTION OF WEALTH ON DISTRIBUTION.

One of the first things the student of economics learns is that the end of economic action is the creation of "Utilities." Under this clumsy expression is concealed the conception that the material aim of all sorts and conditions of workers is to rearrange the matter and guide or balance the forces which constitute the world, according to a distinctively human plan, and with the end of satisfying the desires of human beings. A wise teaching of political economy would linger over this: would dwell on the immense changes which civilization is making on the physical environment, and on the reflex changes which this altered environment is making on society; till the student was thoroughly possessed with the idea of the almost infinite adaptability of the universe to man, and of the steady acceleration in the rate of its actual adaptation. But, unfortunately for the student, he is, as a rule, no sooner introduced to this lofty conception than he is hurried past it by the necessity of measuring the results of

economic action. Without much warning the wide word "utility" is put aside in favor of the word "value." Then he is told that there are two kinds of value, but that economic science has only to do with one of these—value in exchange. And generally, before he has adequately grasped the conception of value in exchange, where all forms of wealth are put in the balance against each other, this expression in turn is translated, for convenience sake, into the narrower and more manageable word "price," where all forms of wealth are put in the balance against one selected form and expressed in terms of it. Thus, in all probability, he has scarcely shaken himself clear of the vulgar opinion that money measures wealth before he is brought back to it—although now in a limited and scientific form—and seldom has occasion to return, through the still limited conception of "exchange value," to any closer study of the lofty conception with which he started. All the while the last word in political economy is not value, but Utility; and the constant striving of economic progress is towards taking commodities out of the category of values, and making them utilities, like the rain and the sunshine.

This tendency to lose sight of the true end of economic striving is accelerated once the student plunges into the sphere of distribution, where incomes are necessarily considered relatively to each other. In face of the arithmetical fact that Income is a huge loaf of which, if one class gets more than half, another class must get less, people are apt to forget that less than half a loaf may be a very good meal—provided the loaf is large enough—and many never grasp the truth which Mr. Walker puts so well, when he says that there are gains which no one loses and losses which no one gains. It is not, then, quite to be wondered at that those dangerous people who know a little economics never quite get beyond the idea that there is a constant and universal collision of interests between the various classes of income receivers, and see something inevitable, if not providential, in the unequal lots of those who work and those who wait.

And thus it is, I think, that that order of teaching which begins with value before the conceptions of utility and wealth have been adequately grasped, is to blame for the kind of contentment with which some persons look upon the inequalities of remuneration.

On the other hand, those whose studies have led them to dwell greatly on production—those, for instance, who read much German economics—and who, consequently, think most about the nature and increase of wealth, are the most dissatisfied with the present manner of its distribution. While quite aware that the conditions of all classes have very greatly improved during the last century, they are not satisfied that the condition of the masses has improved in anything like the ratio of the richer classes. And, further, they are not satisfied that the present methods of distribution are such as can last. Like Mill they think that "the industrial economy which divides society absolutely into two portions, the payers of wages and the receivers of them, the first counted by thousands and the last by millions, is neither fit for nor capable of indefinite duration."

It is not, perhaps, too much to say that almost every economist is just now engaged on the subject of distribution; restating the problem, or criticising and amending old theories, or applying old laws to new fields. Apart from a socialist reconstruction of society, where distribution might be based on wants or on sacrifices, I think I am not wrong in saying that most modern thought on this subject is on the line of working out a distribution according to Product.

Distribution of income according to product created, certainly seems, on the face of it, a distribution according to reason. In the case of wages, it would seem as if the claim of the laborer to receive the wealth he produced, if not ideal from all points of view—seeing that the members of the human family are so variously endowed with capacities—is at least a fair claim. No one doubts that the laborer, in normal circumstances, is worthy of his hire, and, as we say, "earns" his wages: that is, he produces something for which his

income, his wages, is held equivalent. It would seem, too, as if the other forms of income were based on a similar claim. In the case of Land, the acknowledged theory is, of course, that rent, the income of the landowner, is paid him because his land has certain productive powers superior to at least part of the land in cultivation. And as regards the third factor, Capital, if machinery be taken as its type, the fact that machinery steadily tends to replace labor seems to prove—what the ordinary man scarcely thinks requires proof—that capital is productive; has, at least, the productive power of the labor it replaces, and that the income of the capitalist is the equivalent of the wealth produced by capital.

It is in fact so reasonable a claim that many have spoken as if it were actually the ruling principle of distribution; as if the various incomes of Wages, Rent, Profit, come from and correspond with productive powers in labor, land, and capital.

It is against this assumed correspondence between income and wealth produced that Socialism has directed its fiercest attack; and it is to this attack principally that we owe our recognition of the fact that, under modern conditions, production of wealth is not necessarily a source of income, and that, conversely, the fact of income being obtained is no proof of its being earned. The Socialist proof, however, is not one with which many of us will agree. Taking its stand on one part of the Ricardian theory of value, and ignoring the other, it works out its economic system from the fundamental proposition that Labor is the sole source of value. From this it passes to the second proposition that labor is the sole measure of value. If these two propositions are accepted, it scarcely requires proving that rent and profit are produced by labor, but pass, under the social and legal arrangements of our times, to the owners of land and capital. If labor is the sole source of wealth and value, all incomes except wages are gained at the expense of labor.

The indefensible point of this is, of course, its account of value. In the analysis with which political economy begins,

the economist has to follow the lines laid down in the world of economic persons. The "value" of economic science must be what men call, and think, and will recognize as value, and not what it would suit the theorist to call value. The "labor-value" of Socialist theory does not meet this requirement, and at least one great economist, Professor Wieser, does not think it would meet the requirements even of a communist society.* Value is not the easy thing it is in Socialist theory. Its origin and measure are not decided by the consideration that labor, rightly applied, can produce valuable things. Labor expended is merely the symptom that value is expected—not its cause. What we can say is, that labor is economically employed when making valuable things. What we must deny is, that any amount or kind of human labor will give value to what the world, as we know it, does not wish and will not have.

All the same, the conclusion to which Socialist theory has given prominence remains. Of the argument that the factors of production and the sources of income are not identical, we are fain to say, with Dr. Johnson, "We admit your conclusion, but you must allow us to find you the premises." In the light of the current theory of value—the foundations of which were laid by our own Jevons—the pre-eminent place of the human factor is modified. The old opinion that income as a whole is due to land, labor, and capital, is confirmed to this extent; that, as all these do co-operate in the making of product, the product is economically "attributable" to these three factors—so far as they are not to be had in superfluous amount.† Thus, in opposition to Socialism, it is currently held that the three classes of personal income have their source in production; that capital and land are economic, and not simply legal, sources of income.

* See his "*Natürlicher Werth*," Vienna, 1889.

† The importance of this is that there are a great many factors which could not be done without, and yet no part of the return is *economically* attributable to them; such as light, air, heat in the growing of crops, mechanical forces working through machinery, and so on—the reason being that we do not "economize" the superfluous.

But suppose this proved, all that is established by it is: that the contribution of land, the contribution of capital, the contribution of labor, entitle economically to a portion of the joint produce. It leaves us free to agree with the chief contention of Socialism that modern conditions do not assign to each factor the amount of wealth which it produces. The question now is: Can we assign to each factor its own portion of the produce?

This problem I must content myself with merely stating. It arises principally from the visible failure of the working classes to participate directly and adequately in the increased wealth of society, and its interest chiefly centres in the subject of wages. In violent reaction against the classical school, supposed to be too sympathetic with capitalists and landowners, Socialism, as we saw, claims everything for labor. It had, it must be confessed, some reason for this in the weakness and ambiguity of those who tried to explain the exact function of capital in production. Since the great work of Boehm-Bawerk and of those who follow Von Thuenen, however, this justification no longer exists. But allowing the claim of capital to *some* share in the produce which it co-operates towards, the great question which now meets us is, How is the contribution of each factor to product to be measured? We have granted that it is a fair claim that the laborer obtain all that he himself produces. The problem is to find what it is he does produce. For labor cannot produce *in vacuo*, and when it works in co-operation it works with economic factors that are valuable, and has owners who will not give the co-operation of their goods for nothing.

Our old economic friend and guide, Robinson Crusoe, gives us no assistance here, for, thanks to the insistance of the Austrian school, we cannot now forget, as I am afraid we used to forget, that while land, labor, and capital co-operate to produce a product, what is divided out into shares is not the seamless garment of product, but the *value* of that product. This is the statement of a problem whose difficulties can scarcely be overestimated. Of many attempts at

solution, I may refer specially to the latest works of Professor J. B. Clark and of Professor Wieser as particularly valuable.

But the solution of this problem would not exhaust the difficulties of distribution according to product. The problem we have just stated has to do with the *share* which each factor shall have in the total value of a particular product. There is another problem which concerns the total value itself. If, *e. g.*, the object of distribution be represented as an apple, the amount of enjoyment to be had from the apple depends on two things: the shares into which the apple is divided, and the size of the apple.

Here it is that the closer study of value peculiar to our times has brought us in sight of special difficulties. The one which I now emphasize is that value does not go *pari passu* with quantity or quality of product; not even always in the same direction; but takes paths of its own.

Production of value is not like production of potatoes, which the peasant can eat if he cannot sell. Production, under modern conditions, is so far a speculation. It does not bring a predetermined value with it. It produces in anticipation of value. What every one would desire is that well-directed labor should always have value—that is, should always find a value for the useful products it creates, and that labor expended should not be balked of its reward, although fashion change and turn its back on the indication which it gave to production. But we must not let the wish be father to the thought that value, as we know it, is regulated by consideration for the laborer. When, for instance, the death of a royal prince plunges London society into mourning, the bitter cry of Regent Street tells us of the widespread loss of value caused by a mere court decree; a sudden decrease of value that comes first on the retailers, but passes, through merchants and manufacturers, down to the working classes. For nothing can alter the fact that the world holds value in its hand, and practically refuses to recognize or reward the work where it does not wish the product. If

land, labor, and capital co-operate to make a product, and the value of that product, when brought to market, is declared by the indifference of the public to be nothing, the share of labor is nothing; and if labor were paid by product, wages would be a share in the loss.

It comes to this, that labor, land, and capital all put something into the product: they create a utility. What they draw out again, however, is something that does not depend on what is put in. It is like a solution whose action is not fully known; so that the chemist puts in his ingredients expecting that they will precipitate into crystals, but not absolutely sure that they may not disappear in forms he cannot control. What misleads a good many economists, I think, is that it is not easy to divest ourselves of the idea, obtained from a partial survey of ordinary markets, that a producer always makes to sell at a fixed price list, whereas, over the field of industry, he makes for a price which is determined by the changing wants of human consumers and the changing supply of human producers. Even in the case of articles "freely produced," where value most closely corresponds with cost of production, the price list is not one which can be worked towards for long periods. The competition and combination of capitalists—the latter of which is as much a normal condition of modern industry as the former—make market values so unsteady that, except in some few industries where monopoly has a large place, wages could scarcely be changed in correspondence with changing value. For instance, during the last twenty years the retail price of cotton thread has varied from a penny to twopence per spool of 200 yards—that is, 100 per cent., following, more or less closely, the variations of manufacturers' prices. All this time the wages of women workers, who constitute the great majority of operatives in the thread mills, have scarcely varied. What is true of these workers is probably true as regards the whole field of women's labor; in spite of the enormous changes in the price of fabrics made by women, their wage has neither sensibly risen nor fallen.

This, first of all, shows how little attempt has been made, in one very large field of industry, to adjust wage to product. But it also suggests that, in times of rapid change of prices, it would not be possible for the manufacturer to alter the scale of his wages to suit the varying value; nor would it be advantageous for the workers that he should do so—even if combinations of workers would allow it.

This, then, is one special difficulty in paying according to product. It is the common difficulty of remuneration; the difficulty of the employer as well as that of the workman. So long as the capitalist takes this risk of changing value—"buys out his partners," to use Professor Clark's happy phrase—he must pay his employés a stipulated wage well within the limits of safety; and, so long as wages are any way near the subsistence level, it is perhaps desirable that the wage earners should not take any part of that risk, even if they do not adequately reap the advantages of fortunate speculation.

A second difficulty is one so keenly felt by practical men that I am somewhat surprised it has received so little consideration from economic science. It arises in the constant progress of invention and organization as affecting fixed capital—fixed capital, be it remembered, being the greater part of manufacturing capital, and manufacturers being the employers *par excellence*. Briefly it comes to this, that the last capitalist "sets the pace" for his competitors. It is most marked, perhaps, in shipping, where improvements seem most speedily to put older boats out of the running, but it extends, more or less, over the whole field of manufacturing. It is the commonest of experiences that, however well organized any branch of employment is, the newest comer, if he be backed by large capital, can undersell the others, make a profit, and, probably, pay the highest wage. And here, too, the Trade Union plays into the hand of the enemy. Unionism is always ready to profit by the teaching of its enemies, and condemn to extinction the employer who cannot meet competition. "It is expedient that one man

should die and that the whole nation perish not," and the demand of the Trade Union is that the rate of wages shall be that paid by those best able to pay it.

This seems to me to add the most hopeless element to the question. Many of us have been looking forward to an extension of co-operation or profit sharing as likely to solve the worst problems of wages. But these experiments are not likely to be made either by millionaires or limited companies. The class from which we might expect them is that of the private employers whose traditional relation with their workers has been one of good feeling. Now, the position of the majority of such employers, I am afraid, is that they are engaged in a life or death struggle with competitors of larger capital and less humanity. Co-operation or profit sharing will not help us here. If value of product is to determine the workers' wages it must also determine the employers'. In this case the value of the product has diminished, and there is less to divide between the employer and his men. Making the worker a partner will not increase the value of the product, and the worker suffers either as a wage earner or as a capitalist. It will be a bad introduction of profit sharing if it goes with a reduction of wage; it will be a bad outlook if it goes with a reduction of profit.

These, then, are two special difficulties that some knowledge of the practical world puts before me as real difficulties in the way of paying labor a wage proportionate to value of product. If we pin our faith to this as the only equitable criterion of wages, we may have to face conclusions which we are not, I think, quite prepared for. Political economy has been sufficiently condemned for the countenance it seemed to give to the theory that the level towards which competition tends to drive wages is the level of subsistence. This seemed at worst to guarantee that a living was secured to any honest worker, and subsistence constituted a minimum above which wages might rise indefinitely. But, according to the new theory, a just wage would be the share of value which the worker produces. Now, in certain cir-

cumstances not very remote, the share of value attributable to some of the laborers might be indefinitely below subsistence. On the whole I am afraid that, under modern conditions, the human worker tends to sink into comparative insignificance beside the work of machinery—which, we must not forget, is no less than the work of natural powers on lines we trace for them—and that not even the divine spark in the human worker is enough to balance the material forces which man has called in to aid him. If we could get a machine to lay eggs, I am sure that the public would give as much for machine-made as for country-laid, and if machinery can do man's work, its work will get value just in proportion as it meets human want and is not to be had in superfluity.

All that I have said of the difficulties of apportioning wages by value produced is by way of introduction to what follows. Although we should fail to find such a basis, we have not, I think, exhausted the possibilities of a better distribution of wealth. It seems to me that the effects of our present ways of living, and the possible effects of an instructed expenditure, have not been adequately analyzed. It is the further object of this paper to inquire what consumption of wealth is: what are the effects of our ordinary consumption on accumulation and distribution; and to suggest how a wise consumption might, to a considerable extent, relieve the laborer from the tyranny of bare wage earning.

Here I must remind my readers of certain fundamental doctrines more familiar to German than to English economics. All economic action has for its *ultimate* aim the ministry of "goods" in the satisfaction of human want. Of these goods there are two great classes: Commodities and Services. Putting aside the consumption service meantime—to return to it in its due place—the material end of economic action is the finished commodity; the material good which is created for, and wears its life away in, the direct service of man. Following the indication given by

the various kinds and degrees of want, the commodity assumes different shapes at the hands of producers. Some are meant for the stomach, others for the back; some minister to the senses, others to the intellect; some are adapted for individual enjoyment, others are general conditions of social well being; some are perishable, others are long-lived. Thus the loaf, the coat, the picture, the book, the carriage, the car, the firework, the house, may be taken as types of this consumption good.* But whatever the shape it takes, the commodity has its end and purpose in this consumption. From the moment when the laborer breaks the ground down to the time, it may be years after, when the finished article finds its place in the shop window, the whole process of industry is guided by the consideration that the final product is meant to wear away its life and perish in the direct service of man. The producing man is, essentially, the servant of the consuming man, and the final direction of industry lies with us, the consumers.

But the striking fact remains that, under modern conditions, the immediate direction of industry has been taken out of the consumers' hands. There is a point of time when it is in our power, as a community of consumers, to guide labor and capital into certain channels, with the view of turning out certain consumption goods to our order; and we occasionally exercise this power. There comes a time when the labor and capital of years, or perhaps of generations, have been put into final shapes that admit of only one use, and that, it may be, exposed to special dangers of ill-timed or foolish use—an extreme type of this being a collection of fireworks. And, midway between the two, there is a time when labor and capital have been sunk in certain channels where production can only follow lines already laid down for it, or lose the wealth sunk in laying down these lines. A good type of this is the Panama Canal, where the wealth

* To prevent misunderstanding, it may be noted (1) that such things as railway lines, roads, buildings are (permanent) consumption goods as truly as loaves and coats are (perishable) consumption goods; and (2) that many, if not most, consumption goods are also "production goods."

which might have turned many a wilderness in France into a garden has been sunk in the attempt to pierce a continent and bridle a climate, and the only thing to be done is to spend more or lose all that has been spent.

If we compare the amount of wealth that exists at any moment in the shape of finished consumption goods with that which takes the dynamic shape of a "loan fund" looking for productive investment, or of wealth already devoted to processes of production extending back and forward over years, we shall easily understand how modern circumstances have thrown the immediate guidance of industry, for the most part, into the hands of those whose business it is to use these great masses of wealth, the producing classes. Among these producing classes the merchant is the guide and regulator. The working man has only to do what he is set to do, and his employer works to orders given him; but the merchant comes in close contact with demand. His function is threefold: to follow the expressed wish of consumers as given in orders; to interpret the wish of consumers by ordering and holding stocks; and to tempt the wish of consumers. The important feature here is that the last of these has come to be the prominent function of the merchant; so that the great majority of goods are put in the shop windows and priced before the wish for them is awakened and the demand called out. For this result two circumstances are to blame: the huge increase of wealth, and the want of economic guidance—the two working into one another. We are long past the time when the great current of industry was directed to supplying the bare necessaries of life. A very small portion of the productive power of any advanced community could now flood that community with such necessaries. The industrial world to-day is producing to supply a level of wants that is steadily rising with civilization and culture. For this the labor and capital of generations are sunk in buildings, machinery, skill, means of transit, permanent changes of physical environment. This "producers' wealth," once sunk and immov-

able, the energy of its owners and borrowers is taxed to keep it in employment. It is not the case that, as one want is fairly met, capital and labor are transferred freely to meet another want. The mobility of abstract capital has its counterpart in the immobility of concrete. When a manufactured good has for the time satisfied one circle of demand, the constant effort of capital is to awaken wider circles of demand by reducing its price. Thus it is that producers not only interpret and anticipate the wants of consumers, but end by exciting wants, and so directly guiding consumption. So much is produced and waiting for us that we are seldom called on to order goods. We put money in our pocket and look at the shop windows before we become conscious of what we want. Forgetting that the industrial world is our servant, and, like any good servant, is only forestalling our wishes, we get into the habit of thinking that we have no responsibility for what we buy. Thus, what the consumer could not have escaped if he had kept the direct guidance of industry in his hands is avoided by leaving it in the hands of the producer—that is, responsibility. For our domestic servants we cannot avoid responsibility; we are impelled to see to their hours of work, the quality of their food, sleeping accommodation, conditions of labor generally. But when goods are offered us, we forget the claim of the unseen servant, and buy the goods without thought of the fingers which made them. Now, in this matter of the buying of goods there are two distinct responsibilities which must not be confused: one, responsibility for the conditions under which goods are made; the other, responsibility for their being made at all.

A slight awakening of the public conscience has induced some to ask if it is not possible to demand some guarantee that the goods we buy are made by workers paid decent wages, and working under healthy conditions. Not to mention the formal expression of this in the Consumers' League, we find a growing tendency to demand that government and municipal contracts shall be closely supervised.

But these efforts cannot go very far; they seldom get beyond regulation of the warehouse where the final stages of "making up" are passed; they can scarcely penetrate to the factories, fields, and mines where the immensely greater previous processes are carried through. But even if they did, and if we could have accurate knowledge as to how goods are made and wages paid, there remains the second responsibility; that of buying certain goods, and so encouraging their making. In other words, it is not enough for members of the Consumers' League to see that workers are paid decent wages if the commodities they insist on buying are—say, fireworks.

And in this we must, I think, take shame to our order. We cannot blame the merchant that the demand he interprets or tempts is a demand without knowledge, nor can we blame the consumer that he takes what is offered him, so long as the economist gives so little definite teaching as to the consequences to social wellbeing of our demand. Even if we have clear ideas on the subject ourselves, we are, I think, getting too much afraid of being considered "popular lecturers."

The serious fact is that the shape in which a community has allowed or directed its wealth to be embodied makes the greatest possible difference to the wellbeing of that community. As a good is, so must it be used. While it is wheat, the grain may be seed or it may be food. But once it takes the shape of the loaf, it has lost forever the possibility of being used as seed, and, moreover, if not used quickly, does not even remain food. The content of this little parable will become clearer as we proceed. Suggesting, then, that we consumers, as the people most concerned in the end, have a responsibility for the shapes in which wealth becomes sunk and, so far, fixed, and that society does not consult its ultimate wellbeing in allowing the merchant to interpret the "desirable" by the "desired," we go on to inquire what consumption means and involves.

It is sometimes overlooked that, between providing and

consuming wealth, there is an intermediate stage, expenditure of wealth; and that expenditure of income is by no means synonymous with consumption of wealth. When money comes into our hands, it means that a title or order is given us on the great magazine of the world's wealth. This order puts so much wealth at our command to do with as we think fit. As we know, the purpose for which wealth is created by man is that it may be used, used-up, and so come to an end as wealth. But this need not be its immediate fate. We may use our power—"spend" our money—not to destroy, but to maintain and increase. We may cast our bread upon the waters, to find it again after many days—not without interest. Somewhat unfortunately, perhaps, this is called "productive consumption." It is really mere change of shape of wealth; the throwing of wealth into solution in order to reproduce it in new combinations. It is a consumption that does not consume. In it the value of wealth is carried forward through all its changes, and, normally, is increased as it clothes itself in more desired forms. Its type is agriculture, where the crop secured one harvest is buried again in the earth and in the sinews of labor, to be reproduced next harvest, having meantime fed the laborers.

Or we may elect to transfer our title. Apart from gift and bequest, the most conspicuous instance of this is in gambling, where wealth simply passes from hand to hand; but, with more or less friction of consumption, the same is true of many forms of expenditure which partake of the nature of gift or gambling.

Or, finally, we may exchange our title for certain concrete wealth, and put that wealth to its ultimate purpose. Wealth, we must remember, is not mere matter and force; it is matter and force put in shapes to meet human wants. It is a human category. Man creates it, and according to the image in which he creates it does he destroy it quickly, gradually, or slowly. The economic history of a display of fireworks, for instance, is that the earth and man have

produced sustenance for a certain number of laborers; that these laborers have changed this sustenance into muscular and mental effort, and embodied these again in innumerable tools; that these tools, and the further labor which worked with and directed them, have been worn out in making a certain form of wealth indicated as valuable by being limited and satisfying human desire; that, finally, some one sets a match to this embodied labor and wealth, and in a moment it has gone clean out of existence, and mankind has got nothing for it all but the memory of a rather vulgar momentary sensation. The economic history of a public building, again, is that labor and capital have similarly been embodied, but this time in a form of wealth which fulfills its purpose best by sheltering successive generations of citizens. Between these two extreme types all consumption lies.

Now, all these three forms of disposal of wealth are forms of *expenditure*, but only the last of them is properly consumption. We might get a better hold of the distinction by thinking of it as destruction of wealth.

The curious thing is that it is very difficult for an individual to consume much wealth. Bonfires and fireworks apart, the most reckless have a difficulty in doing very much more than transferring their titles to others, who, in turn, have a similar difficulty in consuming. The Jubilee Plunger, for instance, gave us an instance of how quickly money may be spent, but his spendthrift course only meant that his wealth passed rapidly, and without much destruction, from a very foolish man to a number of people who, presumably, could not do much worse with it. What he really consumed and took out of the world was little more than the food he ate, the wines he drank, the clothes he partly wore, the coals he burned, perhaps, the horses he killed. It may give some people comfort to know that a Vanderbilt may spend his income, but that it is beyond anything but an immense conflagration to consume it.

Here, again, it seems to me that economists have not spoken with clear enough voice. They have said a great

deal in praise of saving and of "productive consumption;" very little as to what is praiseworthy or blameworthy in spending and "unproductive consumption." The consequence of such teaching has been that the rich man is considered to have done enough if he live within his income—that is, spend less than he might—and put the surplus into investments; some economists even telling him that he makes a "sacrifice" in doing so. He has scarcely been told that wealth may be better spent in wise consumption than in indiscriminate investment.

The next point in our subject is the consideration of the various categories of private consumption. From a set of books extending over some twenty years of my life, and detailing my private expenditure almost as accurately as the accounts of a bank, it may be credited to me that the categories I submit, and their contents, are not based on haphazard observation. The categories under which most private consumption may be grouped are these: 1. Food and drink. 2. Dress, including ornament. 3. Shelter, including furnishings and equipment of the house. 4. Transport, including travel and communication generally. 5. Education, including literature and art. 6. Recreation. We shall run over these, noting as we go the consequences of the particular form of consumption on wealth generally.

The most fundamental form of consumption is, of course, that on food and drink. These supply a want the satisfaction of which is necessary to life. In this consumption a man must be selfish. He must eat his cake, and, having eaten it, no one else can have it. And the wealth embodied in food and drink is as clean taken out of the world by consumption as the firework when the match is set to it. Fortunately, the want is a limited one. Nature has clearly enough indicated that, for complete health and joy of labor, man wants but little food and drink—how little, people will never realize till they learn to weigh the misery caused by over-eating and over-drinking against the momentary sacrifice involved in "putting a knife to one's throat"—and

nature has provided that little in abundance. From the nature of the case, then, all consumption on food and drink that goes beyond the sustaining of a healthy, full, pleasurable life is waste of wealth, where it is not worse. We need not, indeed, go the length of considering all consumption of this sort waste beyond that which makes the good worker. Let it be granted that happiness is its own justification, and that eating and drinking are pleasurable in themselves and conditions of social brightness and inspiration. What we have to fix our attention on is that all food and drink consumption involves entire and irrevocable and selfish destruction of wealth. It seems to me very often forgotten that the "little" required for healthy and pleasurable life may cost very dear. There is gluttony in cost as well as in quantity. The effect of consuming small amounts of rare and costly foods and drinks is the same objectively as that of consuming large amounts of cheaper provisions; it is excessive consumption of embodied capital and labor, and excessive deduction from the wealth of society. Once this is seen it will, I think, be acknowledged that the community as a whole pays dearly for the well-to-do Englishman's dinner. One bottle of champagne costs, roughly, as much as thirty bottles of beer. Both champagne and beer are terminal points of consumption. Granted that there is a peculiarly gratifying exhilaration afforded by the bottle of champagne, what has to be put against it is that labor and capital, transformed into beer, will give nourishment and exhilaration to thirty people, while the same amount of labor and capital, in the form of champagne, finds its end in exhilarating one person.

The vast field of possible waste here will be better appreciated if we remember how many trades this category employs. It involves the labor of butcher, baker, fishmonger, poulterer, grocer, greengrocer, milkman, publican and wine merchant, tobacconist, restaurateur, which in turn represent the innumerable industries that supply these retailers, stretching away back to the agriculture and mining

which gave them their raw materials. The fact deserves to be put plainly, that there is scarcely any form of consumption where excess is so plainly a robbery of a poor society as that of food and drink. And it does not seem too much to say that the great part of this consumption is of the order of the firework, leaving nothing behind but indigestion.

(2.) Next comes the consumption of wealth in the shape of Dress. Here entirely selfish consumption is not so easy as in the last case. A man may spend as much on clothes as on dinners, but he does not, by his personal wear, turn wealth immediately into ashes and vapor. When the first gloss of fashion is gone, clothes pass, by gift or sale, to others on whose backs they wear away another part of their lives; still appearing, years after, at the "jumble sale" or rag market; to perish at last in grotesquely appareling the very poor—perhaps after that to be reborn as shoddy, and pass through a similar life over again. Thus, on the face of it, this consumption is less of the firework order. There is at any rate more defence of excess here than in the case of foods and drinks. Clothes have an æsthetic mission as well as a utilitarian. It is not even economic to put a beautiful picture in a poor frame. The object of dress is not merely to keep out the cold. The dress of one sex at any rate is meant to show as much as to hide: a woolen stocking does not serve the same purposes as a silken one. And, again, there is no reason why a beautiful fabric should not wear as well as an ugly one. But, with all allowance for the just demands of beautiful dress, and for the factor we should be foolish to ignore, namely, fashion, it must be said that much of the dress made for the mistress is *designed* to be fragile, in order that it may not offend by reappearing on the back of the maid, or travesty Hyde Park by clothing Petticoat Lane. Where this is the case we have the champagne consumption again. Labor and capital, which might have permanently enriched the world, are sunk in the making of goods that have a life almost as short—if not as useless—as the firework. The field of

consumption here covers the following retail trades, and determines the manufacture of their supply: tailor and dressmaker, draper, bootmaker, milliner and hatter, hosier, smallware merchant, etc. Under Dress we may include ornament, as presenting the same features in its consumption, and we shall, in that case, add to the above the trades of jeweler and the like.

(3.) In the third great category of necessaries, Shelter, consumption is least of the firework order, and least allows of purely selfish use. Houses are built for the abode of successive generations. In his house, as a rule, no man liveth to himself. It is the casket in which he lodges his dearest treasures, and it serves its purpose best the more it is hallowed by old associations, and made the centre of a man's social life. Luxurious expenditure is justified here if anywhere; for, by the necessities of the case, the use of the luxury is spread over a period and a circle, small or wide. But here again the possible abuse and waste is obvious. If the house is badly built, or built in a foolish situation, wealth is based on a foundation of sand; and if the palace becomes the refuge of the recluse, wealth wears away in ministering to one life when it might have ministered with better effect to numbers. The field of consumption here is wide. It covers the productions of the architect, mason, carpenter, cabinet-maker, ironworker, bricklayer, plasterer, plumber, slater, bell-hanger, upholsterer, decorator, ironmonger, glass and earthenware merchant, and some others.

We may pass over the fourth category, that of Transport (under which I include public and private conveyance, the equipment and plant of travel, and also the immaterial transport of communication by post, telegraph, and telephone), and also the fifth category, that of Education (including expenses of literature and art), partly because of want of space to do otherwise, partly because the considerations of waste or economic use in them need no further elucidation. The possible field of consumption in maintaining private and

exclusive instruments of transport; the increase of wealth that would follow increased consumption on education—considerations such as these will suggest themselves to any one who wishes to apply the canons given for the three former categories.

The sixth category, that of Recreation, is a very extensive one. It embraces the services and equipment—the environment generally—necessary for music-rooms, theatres, circuses, shows, balls, and the like; and the many departments which may be grouped under the name of Sport, as golf, cricket, foot-ball, tennis, garden games, athletic games, boating, skating, cycling, fishing, billiards, shooting, hunting, riding, driving, archery, polo, racing, yachting, and some others. Of the necessary and legitimate place of sport in rational life there is no question. What we have to note is that its various forms involve very various amounts of consumption. The horse goes with the groom and the stable: the moor requires the keepers: the race course, the racing establishment. Here evidently there is room for any amount of socially unremunerative consumption. What one wants for the recreation we call sport is, generally the open air, exercise, and, probably, some degree of emulation. Those who live to work and unbend to recreate will find these, in company with other men, in chasing a ball over a waste piece of land by the seashore, or with the simple equipment of a walking stick or a fishing rod. One who has been brought up to the idea that the day is to be "got through" somehow, will cut out hard work for himself in a sport requiring, perhaps, a few hundred acres of moor or forest which must be cut off from other men's use—some of these manikins actually accepting the monstrous proposition that the mountains of Scotland are to be inaccessible save to those who rent the moors which guard their foot. Here is the old case of the champagne and the beer—with the aggravated feature that so many sports are necessarily associated with the destruction of beautiful life, and so with deterioration of æsthetic and moral fibre in those who follow them.

From the survey of these six categories of consumption, then, I think we get some very suggestive considerations. We see (1), that similar amounts of capital and labor may be embodied in forms that admit only of rapid consumption, or in forms whose consumption extends over months and years.

(2.) That, whether embodied in perishable or in permanent forms, the consumption of these goods may be selfish, or may spread its advantages over groups of consumers.

(3.) That, in some forms of consumption, man must be alone—his consumption excluding that of others—while in other forms he consumes best by calling in others to enjoy with him.

(4.) That, alike in unselfish and in selfish consumption, the individual may take out of existence more wealth than yields any adequate return to society in life, happiness or labor.

And the general conclusion of the whole is that, if consumers were guided by considerations of how best to consume for the interest of society as a whole, immense sums of wealth might be kept in the world that are now, thoughtlessly and without adequate return, taken out of it, and that other immense sums might give life and happiness to circles and crowds instead of to individuals and families.

It will probably have been observed that while the first three categories brought before us chiefly the consumption of material wealth and its consequences, the latter have brought to the front a form of consumption which we have not yet discussed, viz.: our expenditure on personal services. It remains now to inquire what is the exact difference between the commodity and the service, and whether the word "consumption" applies to the use of the latter as well as to that of the former.

The truth is that there is some difficulty in keeping the two separate in economic consideration. Some, indeed, have reduced them to one, the service, distinguishing merely between the material service and the immaterial. The service

is an economic "good" just as the commodity is; it gets its value from human desire and from limitation of supply. In paying for a dinner you pay for the viands and you pay for the waiting on the same principles of value. It has its necessary place in our industrial and social organization: in the division of labor, while the great majority are set to make commodities, some are set to serve—either in the way of waiting and ministering to persons, or in the way of personally ministering in the consumption of material goods. And, like the commodity, it is a product: the servant is made to our order. The labor and capital of a community are constantly being transmuted into personal accomplishments and powers: schools, colleges, technical institutions, for instance, represent wealth and labor passing every day into the equipment of the student. A hundred pounds may make a piano, or it may make a player; may erect organ pipes, or perfect the vocal chords. A wise distribution of social wealth will sink so much in material commodities, so much in the skill of its servants. Taking his cue from the signs of the times a man will bring up his son to be a baker or to be a waiter; in either case the son will purvey the "good" which society wants. The end of economic action, as I said, is the production of commodities and services.

There are, however, two distinguishing features in the service. One, of course, is the much noted one that the service inheres in the human being who serves. Thus, every consideration of the servant has the dual task of considering man as a "mean" and man as an "end in himself;"—that is to say, the ethical consideration is never absent from the economic. The other is that the wealth spent in preparing for service is taken out of the visible and tangible and taxable forms of wealth: like coal and oil in the engine-room it is transmuted into power. Thus a rich society is conceivable which should consist of human beings capable of rendering very valuable services to each other, yet poor in material commodities. In a rich city you may have the Lyceum scenery and you may have the Lyceum acting; in a poorer

one you should not be badly off if you had only the Lyceum acting.

The service is a category of much wider extent than we are apt, at first thought, to imagine. It embraces not only private servants, but their public analogues. The coachman and yachtsman do for one family or group what the railway, tram and steamer service do for the masses—note, for instance, the significant word "railway servant"—and the carriage and the yacht are the equivalent of the railway, tramway and steamship plant. The gardener, the laundress, table-maid, sewing-maid have their counterparts in the parkkeeper, public laundry girl, waiter and warehouse girl. A recent novelist tells us that some of the Austro-Hungarian nobility still keep their private physician; and this reminds us that there is no reason why we should not, as in old times, have singing men and singing women in our households, except that we get our music better in the opera and concert room.

Now, if we look over our six categories we shall find that a great many of our services are inseparable from commodities. Consumption of food—what we might call "feeding"—is a joint consumption of material commodity and of services inhering in the domestic cook and housemaid who minister it. So it is with domestic servants generally; the consumption of "shelter," for instance, is a consumption not only of stone walls and furnishings, but of the staff who maintain the house; the services of coachman, equally with those of railway servants, are inseparable from their corresponding plant in the consideration of "transport."

But when we come to the pure services of the latter categories, especially the sixth—that is, services which leave no material product and are merely exertions of the human being—we are apt to be confused. At first sight the wages we pay these servants seem a mere transfer of wealth, an expenditure not involving a consumption. When we spend a guinea on a hat we get the hat to wear it out or not; when we spend that sum on a stall at the opera we come away

with nothing in our hand. Is this a mere transfer from one pocket to another? The answer is that it is not. We come away from the theatre with nothing because we have already consumed what we paid for. Our sovereign bought, not a commodity, but a service, and, that service given, the "good" is consumed.

At the risk of being tedious this must be made quite clear, as it involves serious issues. I have in my possession, say, a sovereign. Rightly considered, this sovereign, as we know, is a title to any wealth in the community up to a certain value. If I exchange the sovereign for a dinner I have in front of me a certain amount of perishable wealth, while the restaurateur now has the title which was mine. For the moment there is no change in the total sum of wealth, only an exchange of equal values. But when the whole economic transaction is completed—I mean that for which the purchase was made—I have eaten the dinner; have consumed a sovereign's worth of wealth, and the world is poorer by that amount. Or I may exchange my sovereign for a stall at the opera. For the moment I have before me, not a meal, but a feast for the gods. At the end of the transaction the sovereign, with its command over wealth, is in other hands, and the world is poorer by the wear and tear, bodily and mental, of a body of singers.

It is unusual, of course, to think of the services of human beings in this way. It seems to conceive of the singer as a kind of musical box which wears out with use. But, from the economic point of view, this is quite correct. If the singer were a slave, he, and not his service, would be the commodity. Being a freeman it is his service that is the "good." It is all the same whether the artist paints and parts with a picture, or puts the picture before us in himself; in both cases we purchase goods that perish with the using. If it seems strange to speak of an exertion of the vocal chords as wealth consumed, we have only to consider that man is not the only machine which improves with use up to a certain age. Live-stock, for instance, is a case in point;

but even machinery improves as it "settles down to its work." But whether there is wear and tear of substance or not, the working life of a human being consists of a series of services, which finished, the man is worn out; we pay for his work whether it sets the blood bounding through his veins or brings the enfeebled heart a fraction nearer its break down. It is not, then, by a metaphor that we speak of the artist's services as "goods." The conclusion seems inevitable that, whether service be associated with commodities and consumed with them, or whether it is simply a human being that wears out his life in ministering to us, the service is, like the commodity, a consumption good.

But as regards the consumption of the pure service there is this special consideration. As we saw in the early part of this paper the normal laborer is assumed to produce his own wage—to earn them by creating them. He is not a burden on the community. Even those who said that wages were paid out of capital never denied that the laborer replaced them. But while this is true of the laborers as a class, it need not be true of the laborer we are now considering. This servant is a terminal economic point. He is in the same rank as the consumption commodity. His purpose is, not to produce, but to be consumed. Hence the servant unemployed or uselessly employed, is like the horse in the stable: he eats his head off. Like a commodity which costs to keep, he is at all times expensive; but when he resembles "dead stock"—that is, when nobody wants his services, he is very costly indeed. This servant *is* a burden to society: not only that society has sunk so much wealth in his sustenance and training, which remains unfruitful, but that the man, as a member of the human family, must not be allowed to perish. He is worse than a good of the firework order: he cannot be got rid of by putting a match to him. This is perhaps enough to point the moral that, when society allows or calls into existence a multitude of mere servants,

it invests money in a stock on which there is a large amount of uncalled capital.

What has been said of the servant brings up the question of a class whose position requires more careful examination than it usually gets, the Non-Producers generally. Society is a co-operation of consumers and producers, set in and working on an environment capable of infinite adaptation to their wants. This environment is best represented, I think, as a huge field, some of it naturally fertile, but most of it requiring to be reclaimed from the waste. This reclamation is constantly going on, and the measure in which the environment is reclaimed is the measure of man's—of humanity's—wealth. Living from the field all men consume and must consume. But not all need produce, for the field is very fertile, and the labor of a few can feed many. But most men do produce, either directly or by deputy; by deputy I mean this: when wealth accumulates it is put into the form of instruments; these instruments enable labor to invest its strength in roundabout processes which are indefinitely more productive, and thus create wealth as truly as human labor does; thus those who provide these instruments are part producers, though they never see a spade. Now, society has for its economic object to raise food from the field to feed its citizens, and also, by renewal of substance, to keep the field at the level of productiveness once won; that is, to preserve wealth and to create an annual surplus with it. (Here the figure of a field is not quite adequate, as land does not require much "upkeep," while wealth generally is perishable and involves great expense of replacement.) To perform this double task there must be a sufficient number of producers. If consumption exceed the amount of the annual crop (surplus) the world is living on its capital; gets poorer; and in time cannot maintain its children—who, by the way, are always increasing. Hence it is a primary duty, from a national point of view, for the citizens as a body to produce what they consume, and to consume no more than they produce. But, as I said, all

need not produce, and here society gets beyond being a mere economic organism—which it would be if the field were just fertile enough to yield a bare living. The surplus becomes more than enough to feed the citizens. Society wakes to other ends than those of mere reclamation of waste and maintenance of fertility; it demands the services of those who can open to it the many gates of living; and it finds the means of getting these services in its extra surplus. It releases great numbers from the necessity of field work, and feeds them, on condition of performing what are sometimes called the "higher services." Now it happens that the inclination of many worthy people is very greatly towards these higher services. Field work is hard, and not always congenial. It is pleasanter to preach, and paint, and sing, and teach, and there is a peculiar satisfaction in wearing a uniform. But, obviously, the number of persons who can be allowed to consume, and are not compelled to justify their existence by producing, is necessarily limited—otherwise a serious breach may be made in the wealth already reclaimed, or else other people are compelled to work double tides to support the ornamental servants. Thus, society becomes divided into producers and non-producers. But there is a division among the non-producers. All non-producers consume, and so must be fed by the labor of others. But there are those whom society will at all times gladly feed—recognizing that they are paid to pipe to the reaper's dance—and there are those whom it would not feed if it knew they were mere parasites, and if it could help feeding them. Consequently—although we must take care of our ground, and not judge a person purely ornamental because he wears a uniform—we are warranted in asking every citizen of the world: What do you do for your living? and in concluding, unless he can show that he is giving recognized value for what he consumes, that he is a mere sponge, and altogether a person to be reprobated.

To the four considerations, then, which we drew as to material commodities we may add a fifth as to services:

that, in demanding services, society—not to speak of shaping the lives of human creatures—invests wealth in a form whose use may be selfish or may be unselfish, transitory or permanent, but, in any case, a form which not only is consumed, but consumes, and so is more apt to be a burden to society.

And now to draw some deductions from our analysis. (1.) We have seen that, in our ordinary consumption, an immense quantity of wealth is taken out of the world which might, without serious sacrifice, even to individual enjoyment, remain in it. Is this excess consumption blameworthy? Does it give us the legitimate condemnation of what is sometimes called "culpable luxury?"

The answer is that, apart from forms which degrade the consumers or limit and mar the lives of their servants, no amount of consumption would be culpable but for one thing; that the world is yet poor. To one who realizes the giant strides made by invention in the extractive industries, in manufacture and in transport, it is not a little surprising to find how poor this rich England is. Equally divided the income of this country would give about £33 per head, or £165 per average family of five. From this it follows that the most perfect distribution of income would not allow us all to have even those comforts which some of us count necessaries. Of course it must not be concluded that those families whose incomes are more than £165 per year are robbing other people of the surplus. As we have seen, it is not receipt nor even expenditure of income that determines this, but consumption of it. The squire's income of thousands may be mostly spent in giving incomes of hundreds to the tenants on his estate, who in turn give incomes of tens to the village shops. What we can say is, that every family which *consumes* or lets go to waste more than £165 takes that value of wealth clean out of the world. If it were not taken out of the world it would be added to the community's stock and be available for consumption later. Others may have your cake although you *spend* it: but you cannot *eat* your cake and others have it! This consideration, it seems

to me, is serious enough if we remember how much of all incomes goes to butcher, baker, grocer, and the like.*

The popular idea, then, about "culpable luxury" is to a certain extent justified. If we abstain from luxuries, however, it should not be on any false ethical ground that luxuries in themselves are culpable, but on the real economic ground that there are not enough luxuries to go round. Whether, however, the abstention of the rich from luxuries would, in the present circumstances, distribute income among the poor, is a practical question on which this much may be said by way of warning. Any sudden or violent change in our consumption and social demand would be simply disastrous. It is comparatively easy for the consuming world to change its habits: it is not so easy for the producing world. The vast majority of the nation are producing as they have been told and trained to produce. To stop consumption of their goods is to stop production; to throw the fixed wealth of years back to the waste—like the plant of the Panama Canal—to stop wages and employment: in a word, to disorganize a complex and sensitive co-operation of men who produce in order to consume, and of men whose consumption gives the order to produce. What has to be remembered is that, up till now, public opinion has allowed production to provide for wants as they suggested themselves; wise or foolish, wasteful or provident, it was all the same so long as profit could be made from their supply. For the motive of the undertaker, the organizer of labor, is

* The exact bearing of this must not be misunderstood. If the consumption of the few is far above £165, it may be that their production is as much above that figure. If the consumption of a great many families is under £165, the great majority, in all probability, do not produce anything like that amount. An equal distribution of income has only arithmetic to recommend it. Since income depends upon production, and production is, more or less, our concern, there is no reason for the skilled laborer to restrict his consumption to £165 in order that he may thereby feed the unskilled. If £165 was the limit of any family's production it would be very different. . . . . Even in the case of the "mere consumer" we must be careful of our censure. The owner of wealth is not a mere consumer: if he were not also the owner of wealth-making tools, why should any one offer him interest for the use of them? The class who are clearly struck by what has been said above are those who draw salaries for sinecures and useless offices, whether in church, state, or business—certainly a pretty extensive class.

profit, and profit can be made by producing penny articles or by producing guinea ones; by printing Bibles or by sending spirits to the heathen. Millions of men and women have no other means of getting wages—that is, of living—than in this kind of production. Any great diversion, then, in the ancient currents of consumption would affect production at its spring and end, the human worker. There is not, however, the slightest danger that the numbers of those who wake up to the responsibilities of consumption will be great enough to cause any such revolution.

(2.) It has been pointed out that, in our present ways of consumption, there is a great leakage and an actual destruction of wealth, which might be avoided. It may be asked: Is accumulation of wealth after all so desirable? The question is not so foolish as it seems. It comes from accepting two points of view not uncommon: the one—a counsel of despair—that we have no prospect that additional wealth will be any better distributed than it has been; the other rising out of the wide-spread experience that in most trades there is what is called "over-production."

The latter is too wide a subject to take up here; particularly as I have before formulated my views on it. This much may be said; that over-production of anything indicates the evil of bad organization. It is not the fact that almost any one of us has as much of any form of wealth as he would take and could use in one way or another. What is true is, that wealth is sunk in over-supply of certain things at the time, that is, before other wants as clamant are saturated to the same point; that there is dislocation of the fine machinery which the industrial world now needs, so that producers and consumers do not come together to understand each other's wants and each other's supply.

With the former point of view there is more room to sympathize. To assist the accumulation of wealth at a time when wealth is being massed in a few hands seems to be putting still more power into the hands of the few. The point is a favorite one with Ruskin, and the rise of wages after the

Black Death has often been given as pointing a similar moral. To this, however, may be answered that if wealth is kept in existence it may be better distributed; if it is consumed it is not there to distribute. But even if we are so pessimistic as to think that wealth will still continue to run to one end of the social scale, saturation with wealth is a lesson that perhaps we yet need. I am quite sure that the world is still dazzled with the idea of what wealth can give, because it has not had sufficient experience of wealth. In this respect the temper of the present generation is different from the temper of the last. The more men and women who find themselves free to enter the liberal professions—I mean those whose inheritance of wealth is enough to leave them free to choose lines of life to their liking—the more rapid will be the spread of liberal ideas about wealth, and the nearer we shall come to the experience of educated persons that the best work is never done for salary, but for fame or for love. That is to say, the more quickly the educated classes become rich, the more eagerly will they turn from the accumulation of wealth to the right disposal of it.

(3.) Our analysis shows that the ways of consumption are also, to a considerable extent, the ways of distribution. There is some consumption that is necessarily exclusive, but there is a great deal that may be exclusive or may be social. It is, therefore, possible to add to the wealth of the community without adding to the income of the individual. Most men between the ages of twenty and thirty discover that it is possible to divide an income between two without losing half.

The two directions which an instructed consumption would take are: where there is room for choice, that of preferring durable goods to perishable, and, in either case, that of preferring goods whose use is social to those whose use is selfish. The former has been sufficiently emphasized. If the economic student of these latter days has six shillings to spare on his solitary meal, he will know whether to spend it on a pint of Pommery or on a new novel of Mr. Stevenson.

The latter points to what I may call the "Socializing o consumption." Here there is room and reward for improvement. I have pointed out how poor this country yet is. The inference is obvious: that we should economize the use of luxuries as far as we can; that is, make them go as far as they will.* Yet is it not melancholy to see how the first impulse of the man who becomes rich is to hedge himself away from his fellows; to put up barbed wire round his belongings; to travel by a separate class; and, generally, to hang out the sign, "Trespassers beware"—not from the admirable motive of being alone with nature, but simply that of being distinguished from the crowd.

A little better knowledge of the *savoir vivre* will bring us past this parvenu stage: perhaps it will require a little more saturation with wealth; for I observe that in the United States, where land is plentiful, there are fewest high walls round the gardens, and in Italy, where art has its home, the great pictures do not hang on private walls. Meantime, I confess that the amount of wealth that is poured out to fill the limited capacity of enjoyment of a limited number makes me think of nothing so much as of the glorious sun, wasting its energy in pouring out heat and light for an earth which is too small to catch more than a fraction of it. It is not too much, perhaps, to hope that, with awakened conscience and better knowledge, much of the wealth that now escapes, like unused heat up our chimneys, will be passed on, to be used, like steam in a second and third cylinder.

In speaking of better distribution, it must be remembered that we have an interest in the redistribution of what I must call the "parent wealth" of the community, as well as in the distribution of its income: that is, of the wealth already in the world as well as of that which is added every year and partly consumed during the year. It is not always easy to distinguish parent wealth from income, or even to get a clear

* At the banquet of the rich, there are two ways of economizing luxury: one is to gather up the fragments that remain and send them on to our poorer neighbors; the other, and by far the more economical, is to ask them to join us at the board.

conception of what it is, and that for a singular reason—namely, that we measure income by value, while parent wealth is expressed very greatly in terms of utility. Consequently, when we have to put our wealth as a nation into terms of value, it will be observed that we do so by the rough and ready fashion of capitalizing income, and making certain broad additions. A good parallel to it is in the case of our own homes. The wealth that these represent to us is not expressed at all adequately in the selling value of the house and the furniture. Similarly, the progress of human society chiefly takes the form of making the world a more comfortable place for man to live in, and these improvements pass away out of the range of valuation. They become brighter, healthier *conditions* of our life. In other words, much of our parent wealth exists in the form of a background of the community's life; changes of physical environment that make the house of life into the home of man. The true line of progress is that this background should be common property; that the community should continually be adding, as it were, to the free gifts of nature. But often much of this environment is held in the power of individuals who take their private rights without thought of public claims. For instance, we have the common phenomenon, in the neighborhood of our cities, of owners building walls round thousands of acres with the intention of preventing the public from enjoying what surely belongs to no private owner, the sight of God's earth. And, again, there is a constant tendency on the part of the richer classes to socialize the environment for the benefit of their own class. The West End stretches further and further away from the smoke and grime, and is gradually weeded of its eyesores; while the debris of our common industry is heaped up in the East End, around and among the dwellings of the workers. Now it is a double evil if the large incomes go to a few, and if the background of society is a background painted according to the desires of a few. Here the individual should join with the municipality in redistributing burdens and advantages.

THE STANDARD OF DEFERRED PAYMENTS.

The whirligig of time has brought no change more striking than that wrought in the position of the gold standard men. The passage to the gold standard, with silver for subsidiary coin, was at first advocated as a conservative measure to counteract the rising tendency of prices that appeared between 1850 and 1870. It was argued that the rise in prices or, what is the same thing, the depreciation of the money unit, worked to the disadvantage of the creditor. It permitted debts to be discharged on the payment of a *part* of their real value. This tendency, it was hoped, would disappear with the passage of Western nations to the gold standard. It was not supposed that a reverse movement would set in when silver was discarded. It was believed that the increased production of gold and the multiplication of devices for economizing the use of money would balance the growth in population, wealth, and business and suffice to maintain prices at about the same level, thus securing justice as between debtor and creditor.

Such were the aims and hopes of the honest advocates of the gold standard. But the unerring testimony of statistics has shown beyond the shadow of a doubt that these have not been realized. The upward movement of prices has not only been checked, but has been succeeded by a decline that persists to the present day. As this fact became clearer there arose the school of bimetallists—a school that claims to-day many active and enthusiastic adherents in all the leading nations.

The *raison d'être* of the bimetallists, whether national or international, is the need of more money. To all objections on the ground of the expense, the inconvenience, the risk or the shock to business habit occasioned by the restoration of silver, bimetallists have one unfailing answer—the dire need

of more money in order to prevent injustice to the debtor class. The existence of this injustice is the justification and the excuse for being of the bimetallist school. If it does not exist, then the rest of the reasoning falls to the ground. Of what use to show the practicability of bimetallism or its efficiency in enlarging the circulating medium if the present gold standard damages no one? The argument showing the injury the debtor class receives from falling prices is the primary fundamental argument on which all the other bimetallist arguments are built. Break down this and the whole theory falls to the ground.

The argument usually takes the following form:

Owing to the constantly widening use of credit an increasing proportion of money payments are made in pursuance of time contracts calling for specified future sums of money. These time contracts are always based on the present value of the money unit. They virtually contain an implied clause to the effect that the future units called for by the terms of the contract shall be of the same value—*i. e.*, of the same purchasing power—as the present unit. This we must suppose, else one party or the other would refuse to sign the contract. Now if, during the period of the time contract, change takes place in the purchasing power of the unit, the terms of the contract are equally changed. If the unit cheapens, the creditor loses in favor of the debtor; if the unit appreciates, the debtor loses to the creditor. Now what we call appreciation, or increase in general purchasing power, is exactly the same as fall in price. The terms designate the same phenomenon, the one expressing its relation to money, the other its relation to commodities. Fall in prices means rise in purchasing power, and hence injury to the debtor and gain to the creditor.

Now a general fall in prices has occurred during the last twenty years and still continues. The average fall per year has been not far from two per cent. This means a stupendous disaster to the debtor class. Applied to the farm mortgages alone written in four Western States between 1880 and 1890

it represents an arbitrary transfer from debtors to creditors of twenty-three millions every year. A monetary system, then, which permits such a fall in prices is self-condemned and cannot maintain itself in the face of the public conscience. It is dishonest and iniquitous. The great law of justice demands that the circulation be enlarged until the fall in prices ceases. Such is the great cornerstone of the bimetallist theory.

How has the argument been met by the gold standard men?

At first they saved their reputation for scientific soundness by denying any fall in prices. This was easy so long as the facts were overlaid and disguised by other phenomena. But when, after a brief standstill during the prosperous times in the early eighties, prices once more exhibited a steep downward tendency, the truth could no longer be denied. But the admission of this truth completely altered the scientific basis of the gold monometallists. Whereas formerly they had been strenuous for steady prices and a constant purchasing power, they must now defend a standard which secured neither. In this emergency various modes of escape were resorted to. Some denied that falling prices injured the debtor, but were sure that rising prices were unfavorable to the creditor. Some represented the bimetallists as seeking to depreciate the standard and thus to rob the creditor. Some economists in their anxiety to justify the gold standard turned traitors to their own science, and denied any relation between quantity of money and prices. Some admitted the injustice of the gold standard, but pointed out the danger or impracticability of bimetallism. Finally a few met the argument of the bimetallists fairly and sought a scientific justification of the fall in prices.

Let us address ourselves to their argument.

The fall of prices, they say, is natural rather than artificial, normal rather than arbitrary. It is due to the abundance of commodities rather than to the lack of money. Relative to population, the output of commodities has of late years

enormously increased owing to extraordinary improvements in production. New inventions and the perfecting of old ones have cheapened almost all manufactured articles. Raw materials and food products have been cheapened partly by the opening up of new sources of supply, partly by the wonderful cheapening of transportation. All along the line the economies resulting from abler industrial leadership, better industrial organization, minuter division of labor and the increase in the proportion of skilled and specialized workers have conspired to diminish the cost of production.

Now, cheapening of production means that the relation between labor and products, between human effort and its economic results, has altered. The exchange ratio is different. If a day's work is more efficient—*i. e.*, produces more—it is more valuable in terms of commodities. If commodities are produced with greater ease and abundance they are less valuable in terms of labor. Labor produces and hence commands more commodities. Commodities require and hence command less labor. By reason of this change in relation the two can no longer bear the same relation to money. The price movement of labor cannot be just the same as that of commodities. Now, what are the facts? The prices of commodities have fallen. Has the price of labor fallen? It appears not from two facts: (1) wages have not fallen; (2) money incomes in general have not fallen. This means that labor produces and that consequently the earnings of labor command a steadily increasing quantity of commodities.

Bearing these conclusions in mind, let us re-examine the situation of the debtor. It appears now that the sum of money that he repays to his creditor, albeit it represents more commodities than the original sum borrowed, represents no more labor. To procure the money, the debtor may have had to sell double the quantity of goods the original loan was worth. But if, at the same time, general industrial efficiency has been doubled by improvement in production, he can produce with his labor twice the quantity

of products the creditor was formerly able to produce. The creditor worked and saved in order to loan the original sum; the debtor works and saves the same length of time in order to repay it. So the borrower but restores the quantity of labor he received. The transaction is but an exchange of equal services, with an interval of time between. And as all fair exchange, according to the classic economists and to some of the great socialists, is but the exchange of equal services or of the products of equal quantities of labor, we may conclude that in this case the scales of justice are held even. The debtor suffers no hardship by the fall in the prices of commodities.

Such is the monometallist argument.

It is now the object of this paper to examine the validity of these arguments, and to inquire what standard of deferred payment, if any, will insure justice to both debtor and creditor.

For the sake of convenience, the arguments cited may be held to involve two controversies:—

1. As to the ultimate standard of value.

2. As to the destination of the benefit of industrial progress.

I will examine these in their order.

The bimetallist contends that, by reason of falling prices, the debtor places the creditor in command of more commodities than the original loan would purchase, whereas justice requires that the quantity of commodities lent and the quantity of commodities restored should be equal.

The monometallist contends that, owing to the fact that the price of labor has *not* fallen, the debtor places the creditor in command of no more labor than the original loan would have purchased. And this is right, for justice requires that the quantity of labor lent and the quantity of labor restored should be equal.

Now, both parties admit that the question involved is a question of justice. And as both agree that economic justice consists in the exchange of equal values, it follows that the

controversy finally hinges on the nature of value. The bimetallist asserts that equal quantities of *goods* are of equal value, though separated by a period of time. The monometallist holds that equal quantities of *labor* are of equal value, though separated by a period of time. Since the commodities the bimetallist has in mind are, in fact, usually consumption goods rather than raw materials or sub-products, while the labor the monemetallist has in mind is, in fact, productive labor rather than services, the issue is fairly joined between the two great opposing theories of value—that of *labor-value* and that of *use-value*. The one derives value from production, the other from consumption. The one looks to cost, the other to utility. So that the great typical fact of economic life, viz., that man makes a sacrifice in order to procure a satisfaction, offers two criteria for judging a credit transaction. We can say that every loan is simply a sacrifice made by the creditor in behalf of the debtor, and that full payment means that the debtor makes a corresponding sacrifice in return. Or we can say that a loan is simply a satisfaction enjoyed by the debtor at the expense of the creditor, and that full payment means that the creditor procures a corresponding satisfaction at the expense of the debtor.

Which of these two theories of value is the true one? The basing of value on sacrifice is radically wrong, inasmuch as sacrifice is but a means to an end. Sacrifice possesses importance or value only because it is the primary condition to something important or valuable. The product or good standing midway between sacrifice and satisfaction is valuable, not because it embodies past sacrifices, but because it promises future satisfactions. To impute value to an article on account of its cost is like ascribing merit to a man on account of his ancestors.

The old habit of basing value on cost of production in labor, capital being regarded as accumulated labor, received no shock so long as economists observed only competitive industries of constant returns. But the widening importance

of monopolized goods and of goods of diminishing returns brought to light an increasing number of cases where values are not proportionate to cost. This has compelled a profounder study, resulting in the discovery that value is a particular utility—is, in fact, *marginal utility*. The idea thrown out by Jevons, and elaborated by the Austrian economists, has changed the face of economic theory within a few years, and has filled with enthusiasm and hope many who had despaired of the science. By furbishing up the obsolete and discredited labor-value theory in order to beat the bimetallists, the gold standard defenders have shown themselves the Bourbons of political economy.

By insisting that the labor standard should be adopted for the transactions of borrower and lender, they virtually demand an exception in the economic order. They want to measure the obligations of the debtor by a special standard of their own. For where in society do we find exchangers bartering equal quantities of labor worth unequal quantities of goods? It is, indeed, difficult to believe that the contractionists are sincere in their argument, except on the charitable hypothesis that they do not see whither their theory leads them. For if *labor* or *cost* is the just basis of value, then whatever exceeds this is illegitimate. Hence, part of the value of monopolized goods, resting, as it does, on their utility to the consumer rather than on their cost to the producer, is illegitimate plunder rather than just earnings. This being true, we should expect to find these labor-value monometallists fighting with tooth and nail for such legislation as would break down corners, combines, and trusts, and nationalize such natural monopolies as the railroad and the telegraph. But, on the contrary, we find many of these same gentlemen vigorously defending the justice of monopoly values. In utter contempt of scientific consistency, they with one hand shield the creditor with the labor-value theory, while with the other they interpose the use-value argument between monopolists and the wrath of an outraged public. Their consistency is one, not of doctrine, but of sympathies,

which are always on the side of the *Is*, and against the *To Be*.

The controversy pertaining to the nature of value is therefore decided in favor of the bimetallist.

Let us now take up the controversy touching the proper destination of the benefits of industrial progress. Suppose a man lend a sum representing the products of a hundred days' labor. At the end of twenty years the general improvement in production has been such that the same goods can be produced by sixty days' labor. The bimetallist contends that sixty days' labor, or its equivalent in commodities, should satisfy the debt. The value of forty days' labor, representing the benefit of industrial progress, remains with the debtor. The monometallist contends that one hundred days' labor, or its equivalent in commodities, should be required to satisfy the debt. The value of forty days' labor being the premium due to the advance of industry, should, therefore, be made over to the creditor.

In our discussion of the point here raised we shall consider three possible cases:

(1.) The creditor reaps the benefit.

(2.) The debtor reaps the benefit.

(3.) The benefit is shared.

We shall take these in their order.

In behalf of the creditor's claim, it may be urged that justice between debtor and creditor demands equal sacrifices, quite regardless of any increase in the power of sacrifices to procure satisfactions. This argument, as we have seen, involves the labor-value fallacy, and is therefore worthless.

It may next be urged, that, as the main improvement in production comes through improvement in machinery, the supplier of capital should get the benefit. This argument is unsound for several reasons. Only *part* of the capital lent is invested in machinery. Then only a *part* of the improvement due to invention appears in machinery, the rest appearing in methods and processes. Moreover, invention is only one of several causes of improvement. Again, the

lender supplies pure capital, and has no moral claim to any gain resulting from fixing it in useful and ever more useful forms. The lender does not invent, make, select or run the new or improved machine. Finally, it may be said that the increasing helpfulness of pure capital, as it is invested in better and better machinery, is already discounted in the rate of interest paid. So the creditor need not expect a second reward.

A third argument for the creditor asserts that by making the loan he curtailed his expenditures, and hence dropped a grade in society. Now, as with improvement in production the general scale of expenditure in society rises, the creditor, in order to regain his former relative position as a consumer, must receive from his debtor an excess of goods corresponding to the general advance. This will just absorb the margin due to the increased efficiency of human effort.

This argument assumes, that the creditor, had he not lent, would have expended his capital in maintaining a certain style of living. But by thus consuming his capital he could not have drawn from it an income in the way of interest. To parallel this benefit he must invest his capital productively. But in that case he could not consume it and could not have maintained a higher scale of expenditure than as lender he actually *has* maintained. A monopoly of the benefit of progress by the creditor therefore seems unjust.

Let us now consider the case for the debtor. It may first be urged on his behalf, that, even on the labor-value theory, he is not bound to surrender his advantage. For the true labor-value theory insists that equal values are represented by equal quantities of labor, provided the quality is the same. Only the crudest theorist could assert that an hour's labor of the hodman is equal in value to an hour's labor of the engraver or the optician. Now the quality of labor means chiefly the efficiency of labor. And this being so, how can we say that the labor of the creditor under one industrial dispensation is of the same quality as the labor of his debtor under a higher dispensation? The

creditor ground flour in an old-fashioned neighborhood mill. The debtor associated with 700 others grinds flour in a Pillsbury A at Minneapolis. The labor of these two may be of the same relative grade. But because of different efficiency, and hence of different quality, we cannot justly set a certain quantity of this labor over against an equal quantity of the other, and call them equivalent. The debtor, hence, should enjoy the benefits of industrial progress rather than the creditor, simply, because after all, it is *his* labor that is the more efficient and not that of the creditor. To reverse this would be wholly arbitrary.

But it may be urged, secondly, that in any case the debtor is not bound to square his conduct to the requirements of the labor standard. To see how unnatural and absurd this would be let us apply a test. The class of exchanges between debtor and creditor is but a species of a wide *genus* of transactions. This *genus* includes all exchanges of like goods produced under different economic conditions, that is, under systems of industry differing in the ratio, both genetic and exchange, between labor and commodities. In all these exchanges the comparing of quantities of *labor* will not yield the same result as the comparing of quantities of *products*.

Now we may find different industrial stages in the same country at different periods, or in different countries at the same period. The difficulty between debtor and creditor presupposes the former. Let us take a case resting upon the latter. A poor Eskimo in doing a service to a Hudson Bay trapper loses his knife. That knife was made by rubbing a piece of steel on a stone until it became a blade. It represents the labor of three months. To be just the trapper must restore equal value. Does that mean that he is to replace the lost blade with a Sheffield knife costing him half a day's labor, or that, accepting the labor standard, he is to surrender the equivalent of his wages for the last three months? This *reductio ad absurdum* applies as well to exchanges between different industrial periods as to exchanges between different industrial communities.

The existence of a just claim on the part of the debtor having been shown, we have now to inquire whether he should retain all the benefits arising from improvement in production or should share them with the creditor. In behalf of the theory of participation it might be urged that, as the increased efficiency of the debtor is due to changes made in the general industrial constitution of society, he should yield the creditor a share of the benefits. But this doctrine, though a favorite of some monometallists, is unsound.

The increasing efficiency of industry is due mainly to improvement in machinery, organization, or skill. Now these improvements are due to those who participate in production as inventors, entrepreneurs or workers. Hence, to these groups, constituting, as they do, the body of *present* producers, belongs the reward. The creditor as such is a *past* producer, the capital he lent being the product of labor at some past period. Then why, as past producer, should he have the right to enjoy the superior excellence of present production? Suppose, however, the creditor has been not only a creditor, and hence an interest receiver, but also an active producer, as inventor, entrepreneur, or workman. In this case I reply, Verily, he has his reward. As a participant in production he gets his share of the benefits of industrial progress. Is that not enough? Or shall he, as creditor, receive a second reward for his participation in industry?

On the side of production, then, the creditor has no valid right to share with the debtor. But let us view his case a moment from the side of consumption.

Availing themselves of the new doctrine of value, the monometallists might claim that as with cheapened production the abundance of goods increases, their marginal utilities must fall, and hence their value. In order to restore to his creditor equal value the debtor must increase the quantity of goods or command over goods sufficiently to offset the fall in marginal utility. But this is fallacious, inasmuch as marginal utilities are simply values, and a

general decline in marginal utilities is as impossible as a general decline in values. Let us take a concrete case. A man has some valuable object which can be used without being worn out, or consumed—say a mirror. He uses it twenty years. At the end of this time mirrors are so abundant and cheap that their marginal utility has sunken one-half. Shall we say that the man has lost by this fact? Certainly not; the mirror yields him the same utility as before. Vary the hypothesis. Suppose the man rents his mirror for twenty years, receiving annually a payment for its use. At the end of twenty years he receives back the original mirror uninjured. Shall we say that the borrower was bound to return an extra mirror because the marginal utility of mirrors has fallen? Certainly not. He should return simply what he borrowed. Vary the hypothesis again. Suppose the borrower break or lose the original mirror. Is he bound to restore two of the newer and cheaper mirrors? Certainly not. He need merely replace the original mirror with one capable of yielding the same objective utility. Decline in marginal utility I conclude is no ground for participation.

We are thrown back upon objective utilities. Do these ever decline? Undoubtedly, and here I think we come upon the only valid argument for the doctrine of participation. From all the goods that yield him nourishment, warmth, shelter, healing, comfort, amusement, intellectual and æsthetic enjoyment, etc., a man can derive as much utility one year as another. For these purposes a thousand units of purchasing power are as valuable one time as another. But for the procuring of social esteem this does not hold true. Ten years ago I lent you the proceeds of a coach and four, which procured for me at that time a certain social distinction. Now you return me a coach and four, but the objective utility is not the same, and I am the loser. Owing to the general industrial progress and the consequent abundance of coaches and four, I must now have a coach and six in order to enjoy the same social distinction. In the way of

procuring from my fellow-men distinction, fame, influence, esteem, respect, etc., equal quantities of commodities are not of equal value. It would, therefore, seem but just that the creditor should participate in the benefits arising from general industrial progress sufficiently to compensate him for the depreciation of that portion of his wealth devoted to satisfying the needs of his social nature.

This closes our examination of the two opposing arguments we placed at the head of this paper. We find the monometallist argument wholly unsound. But we do not find the bimetallist argument entirely right. The debtor is not to return a value measured in *labor*, nor yet a value measured in *commodities*, but a value measured in *objective utility*. And with industrial progress this is secured by a *slight excess* of commodities.

During industrial progress, then, a just monetary standard should permit the alteration in the ratio (both genetic and exchange) between labor and commodities to appear in a rising price of labor rather than in falling prices for commodities. The money unit should not appreciate with labor, but should rather depreciate with commodities. The circulating medium should suffice to maintain retail prices of commodities at very nearly their former level.

Compared with this ideally just standard the present gold standard is seen to be unjust, and the much-vaunted gold dollar appears in its true light as a dishonest dollar, serving the creditor class as an instrument of wholesale spoliation and oppression.

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PARLIAMENTARY PROCEDURE.*

It has been said of the English House of Commons that it has more sense than any one of its members. Professor Bryce, in his great work on the American Commonwealth, points out very many delinquencies of the American Congress, and he teaches us that, when judged by the wisdom of its action, our Congress compares unfavorably with European legislatures, and especially does it compare unfavorably with the English Parliament. Yet when he compares the *personnel* of the American House of Representatives with that of the English House of Commons, he surprises us by saying: "Their average business capacity did not seem to me below that of the members of the House of Commons of 1880–85."† Our standard of intelligence is lowered by the absence of a few great lights which adorn the English House; but it is raised, according to Mr. Bryce, by the absence of certain classes who, in the English House, are conspicuous for their lack of intelligence. If, then, we take without allowance all these statements, we would seem to reach this conclusion: there is something about the English House of Commons which makes its action wiser than would be the action of the wisest individual statesman; while there is something about the American legislature which makes its action less wise than would be the action of its average member.

The two books named below, and the current events in

* PARLIAMENTARY PROCEDURE AND PRACTICE IN THE DOMINION OF CANADA. By JOHN GEORGE BOURINOT, C.M.G., LL.D., D.C.L., Clerk of the House of Commons of Canada. Second Edition. Pp. 929. Montreal: Dawson Bros. 1892.

MANUAL OF CONGRESSIONAL PRACTICE, (U. S. Red Book). By T. H. MCKEE. Pp. 398. Washington, D. C.: Statistical Pub. Co.

† American Commonwealth, Vol. i., p. 143.

American and Canadian politics, suggest and almost compel a comparative study of the English and the American governmental procedure. The Canadian Parliament is following mainly English procedure. Canadians themselves have forced us to consider the question of annexation. If we are to be one government, how shall we harmonize our methods of procedure? Aside from the question of annexation, the two governments are with increasing frequency adopting lines of action which compel the attention of the citizens of each.

Mr. McKee's book is made up almost entirely of quotations from the public records of the United States. He has done what would have seemed beforehand to be impossible; he has given a vivid and dramatic picture of the doings of Congress and of the relations of Congress to the Executive, by making the public records talk. Since it is done, it is difficult to see how otherwise so much accurate and useful information could be condensed into so brief a space. We are made to see how the two houses get into working relations with each other and with the Executive, and how they live and work together. A picture is given of the internal organization of each house, how the committees are formed and how they work. Intricate questions of Congressional law are elucidated by judicious selections from the journals and from the debates. The genesis of the voluminous public documents is made clear. The judicial business of Congress is exemplified, not only in cases of impeachment, but in actions to vindicate the privileges of Congressmen, and in actions to secure papers and testimony. There is nothing in the book to provoke comparison with any other government. Mr. McKee has simply made it possible, as never before, for the ordinary citizen to see clearly how the public business of his country is conducted; and he has done this by selections from documents with the fewest possible explanatory words.

Mr. Bourinot's book, on the other hand, is throughout a comparative study. It contains a history of the formation

of the Canadian Constitution, and the author claims that the makers of the constitution, having had the benefit of the experience of the United States and of England, combined in their new constitution the virtues of both the older constitutions. Responsible government was established for the Dominion of Canada and for various provinces as early as 1840, but a new constitution was formed in 1867. This is called the British North America Act. It is in form an act of the English Parliament, but it was in fact the work of the people of Canada, and its passage through Parliament was secured by an address to the Crown. There was in Canada a strong disposition to retain provincial rights, but the constitution being formed at the close of our civil war, there was naturally also a strong feeling against independent local powers; hence the constitution makes it possible for the Dominion Parliament to veto and also to repeal laws passed by the legislatures of the provinces. Certain powers are named in the constitution as conferred upon the provinces. The powers not conferred belong to the Dominion Government. The British North American Act is a part of the law of the land, and, in the nature of the case, its provisions come before the courts for construction. Hence we have in Canada, as in the United States, instances of acts of the Dominion legislature and acts of provincial legislatures set aside by the decisions of courts. But we are not to carry this comparison too far. The act in question is by no means the whole of the Constitution of Canada. The understandings of the English Constitution are likewise for the most part understandings of the Canadian Constitution. The Governor-General represents the Queen in Canada, and all the fictions whereby the Cabinet is put in charge of legislation while at the same time it is subject to a majority of the legislature are in full force. Only a part of the constitution, therefore, is subject to judicial interpretation. It is interesting to observe in this connection that the Canadians have adopted a policy which our constitution-makers considered and rejected. I refer to the policy of consulting the

slayer, and these two have been parts of the self-same government. It clearly does violence to the individual to require him to represent at the same time the tyrant and the tyrant-slayer. If we push a tyranny to such an extreme that all wills other than that of the tyrant are completely and totally paralyzed it would be a case of individual government, yet it would no more resemble actual human government than does the case of the man-eating tiger who so terrorizes the inhabitants of a village that he can work his sweet will upon them.

If we pass from the extreme tyrannies, which have in practice always proved short-lived and unreliable, to the more enduring forms of monarchy the anti-individualistic forces become the dominant ones. It is generally accepted as a truism that no government can be secure which is dependent upon the will of one man. An open and a confessed democracy is one in which the forces which make up the dominant elements of all permanent governments are the only ones recognized. According to this view, a tyranny is a monstrosity in government. A monarchy which has in it the elements of permanence is simply one form of governing according to the resultant tendencies of a multitude of conflicting wills and class interests; hence, monarchy may be defined, using Mr. Maine's terms, as a democracy turned upside down. We certainly cannot get rid of the difficulty which Sir Henry Maine describes, by giving to government a name which the accidents of grammar permit us to apply to an individual. If we look to the substance of the thought there may be as much individuality in Demos as there is in Monarch.

Any contention about the relative merits of monarchy and democracy very soon reduces itself to dogmatic statements of contradictory beliefs. In the present stage of political science, we are constantly led astray if we follow too closely analogies drawn from physical science. An opinion, a mere belief, has no effect upon material things. To a student of physics a belief can have no standing as against a

phenomenon or a fact. To know material phenomena one must be on his guard against mere opinions. But in politics the determining fact is often a mere opinion. Political phenomena are determined more by states of mind than by anything outside of the mind. This principle is well illustrated by a passage from Mr. Maine. He seems to have a fear lest, notwithstanding the many weaknesses which he is able to point out, democracy may after all be a source of trouble. He says: "No doubt, if adequate causes are at work, the effect will always follow; but, in politics, the most powerful of all causes are the timidity, the listlessness, and the superficiality of the generality of minds. If a large number of Englishmen, belonging to classes which are powerful if they exert themselves, continue saying to themselves and others that Democracy is irresistible and must come, beyond all doubt it will come."*

I give this quotation, because it supports my contention that the state of society or the form of government is dependent, not upon any external fact, but upon the state of mind of the people. At the same time, the passage illustrates the weakness of the position of those who would resist the coming of democracy. We are asked to believe that the evils of democracy are likely to come upon us on account of the timidity, the listlessness, and the superficiality of the generality of minds, in the face of the very general belief that only in those parts of the world where the generality of minds are the boldest, the most restless and the most intensely devoted to the study of politics, is democracy making any rapid progress. It is natural that, when one is led to see that the form of government is determined by mere opinions, he should think these opinions ought to be directed into proper channels, and that a few individuals who should properly bestir themselves could thus direct them.

It does not at all follow, because the organization of society rests upon opinions, that it is an easy or a possible thing for an influential class to change the course of society. Even

* *Quarterly Review*, Vol. cxlviii. p. 306, and Popular Government, p. 74.

in the case of an individual it is often as hopeless to argue against his opinion as it would be to argue against the action of gravitation. Much more is it often entirely irrational to argue against certain resultant opinions or tendencies of an age. Evidences accumulate that we are entering upon a prolonged period of democratic experiment. A thousand years would be a very short time for such an experiment. The first thousand years of democracy may be accompanied with suffering and ruin worse than anything that has been imagined, and after that there may be millenniums of democracy more triumphant than has yet been conceived. If several thousand years of apparent ruin and folly have not wholly discredited monarchy and aristocracy, why should it be thought that one thousand years of apparent failure would wholly discredit democracy?

The mere belief in the probability of a protracted trial of democracy is fitted to determine the political action of every intelligent citizen. It is not necessary that he should believe that democracy is to be the ultimate form of government. It is not necessary that he should believe in democracy as the best possible form of government. Yet, if it is his opinion that it is going to be tried as thoroughly and, perchance, as long as monarchy has been tried, then it is clearly his duty to make the best of it; he should think and act as if he believed in it; he should strive in all ways to give it a fair trial, to make it as tolerable as possible. In the face of such an opinion all talk about the relative merits of various forms of government is irrelevant and misleading. Equally misleading is the contention as to whether wisdom comes into the world through the medium of the rare great man or through common minds. So long as democracy is on trial that is going to be called wisdom which is in accord with democratic ways of thinking. We call Mr. Lincoln wise because he often treated with apparent contempt the advice of the few who were called wise, and was ever on the alert to "sense" the views of the common people. A story is told of Mr. Charles James Fox, the great English statesman,

which in a democratic age stamps him as wise beyond his generation. Mr. Fox was accustomed to say when the Cabinet had in hand a particularly difficult problem: "I will see Mr. B. about this." Now, Mr. B. was known to be a common sort of man, and Mr. Fox's associates expressed surprise that so stupid a man should be constantly consulted on the abtruse questions of statecraft. But Mr. Fox justified himself by saying that Mr. B. represented the common thick-headed Englishman, and that the work of statesmen was vain if they could not carry the apprehension of the common Englishman. Mr. Gladstone is accounted wise because he approves the views of the masses as against the classes, and because he surpasses other men in perceiving the drift of public opinion. The wise man, according to democratic standards, is he who most perfectly recognizes political and social forces outside of himself, and excels in adapting these forces to existing conditions. It is a sign of folly in such an age for a man to imagine that he can originate governing forces. A tyrant may call to his side a representative assembly for the purpose of terrorizing the members and, through them, the people, in order to enable him to carry out a predetermined policy. A benevolent monarch may call a representative assembly to enable him to the more perfectly determine a wise policy. A democratic assembly is chosen to express the views of the people in matters of government. It would be useless to compare the procedure of these representative assemblies one with another. The objects are different and often conflicting. If legislatures in the United States are to be compared with other legislatures it should be upon the assumption that the legislatures are not to assist the few wise to govern wisely, but to represent the people in matters of government.

Upon the assumption of a probably protracted democratic experiment, the legislature and every governmental agency has other conditions to fulfill than simply to do well the financiering, the road building and the other specific acts of governmental business. These specific acts are done by men, and

follow closely the analogy of individual action. A democratic agency has anti-individualistic requirements to fulfill. Mr. Bourinot gives great prominence to the introduction of a system of local government in Canada. What is the thing of chief importance in a system of local government? Is it that taxing and street-cleaning shall be better done? The thing which he chiefly emphasizes is the training which the people are receiving in these local governments. No well-informed man pretends that the new democratic county councils in England will at first do the separate governmental acts as cheaply and as efficiently as did the permanent justices who preceded them. The change is justified by the great opportunity which is thus afforded of increasing the number of those who shall have political experience. It is desirable that a democratic governmental agency should perform every sort of governmental business as efficiently as any government. Yet if it cannot do this and at the same time be in harmony with a multitude of co-operative forces upon which the permanence of the government rests, it may be better, for the time being, to accept a lower standard of governmental efficiency.

It ought to be frankly confessed that what has been called the anti-individualistic part of the government does not have the merit of being easily described. It is too much to ask a man to think of a government as acting in an anti-individualistic way. Mr. Maine has the argument when he claims that the terms "will of the people" and "public opinion"* do not stand for anything definite and easily conceived. In the case cited above, road building is a work done by men; if all the men of a township unite in the deciding of all important questions which arise in the business of road building and thereby learn important lessons in the general business of government, this also, in one sense, is so many individuals learning a thing in a certain way. Yet the thing chiefly learned is the yielding of individual plans and the adopting of a plan of the community; and this

* *Quarterly Review*, p. 314.

does not follow the analogy of an individual. If an individual decides upon the ways and means of government he does it in a way which he cannot describe or understand. We are ourselves constantly making decisions without being able to describe the process.

A young physician baffled by the mystery of a disease called to his aid an old practitioner who at once correctly diagnosed the disease and applied the proper remedy. The young physician very properly wished to know how the elder had reached the correct conclusion. But the man of experience could not tell him; he could not think of one single particular symptom which furnished the basis of his decision and which was not as likely to mislead the other as to assist him. This will be recognized as an experience not at all unusual. We decide and are ignorant of the process, and all our philosophers are unable to give us practical aid. It is said of a learned professor in one of the English universities that he is accustomed to enter into an elaborate process in deciding the ordinary questions of life. He is, for instance, to choose a summer resort. He writes down the names of the places which occur to him as desirable. He then makes a complete list of the qualities which make a summer resort desirable—as scenery, temperature, air, water, etc. Opposite each of the names of the places he writes a number which expresses to his mind the degree of fulfillment of each of the desirable qualities. For instance, opposite the Alps he would write for scenery 94, temperature 88, *et al.* Opposite the Highlands he would write for scenery 91, for temperature 90, and so on to the end of the list. During all this process he has not the slightest notion as to where he is really going; but when the numbers are all written down the final decision of the question is a mere matter of addition. It will be readily admitted that this case is unusual. The common way is for a man to make decisions without really knowing how or why he decides as he does.

When a legislative body decides upon the ways and means of government there is a procedure which is known and may

be described. There is a certain number of men who have a legal right to take a part in the acts of the legislature. The procedure must be such that these may know when the measure is proposed, when it passes certain stages and when final decision has been reached. We may use language which indicates a comparison between the legislative procedure and the procedure of the mind of the individual, but the two things are wholly diverse. To compare one with the other tends to confusion and error. Parliamentary procedure belongs to the part of government which is not individualistic and cannot be understood on the basis of any such analogy. It is simply a series of artificial arrangements to facilitate the joint action of many. The thinking and the planning is done by individuals. The only way to reduce the saying that the Parliament has more sense than any of its members to a rational statement is by saying that the procedure is such, and the co-operation of its members is such, that wiser conclusions are generally reached than would be reached by its wisest member acting alone. Or, it is conceivable that the mere fact of an attempted co-operation of a multitude may result in a wiser conclusion than would otherwise be reached.

Specific instances may be given where a policy which in later years commended itself as wise is falsely attributed to the wisdom of individuals. The Constitution of the United States, in the eyes of those who made it, at the time they made it, abounded in imperfections. They tolerated it because it was less bad than something else. When it was seen to work fairly well its makers received credit for a genius which they did not claim, and which they did not possess, in the sense intended by those who thus praise them. Hamilton contended in the convention that it would not do to leave to the States a field for independent legislation. He could prove to the satisfaction of many in the convention that such a government would not work, and there was no one at all able to answer his arguments. But there were men in the convention of comparatively feeble intellects who were

able to utter just one short and conclusive sentence: "The people of these States can not be induced to give up their independent State legislatures." In after times this feature has been commented upon as a great stroke of genius. Hamilton showed his real genius for statemanship when he well-nigh exhausted the powers of language in persuading his fellow-citizens to try the constitution which in convention he had said could never be made to work.

Viewed from the standpoint of efficient conduct of governmental business I suppose it ought to be conceded that the English and Canadian cabinet system is more satisfactory than the American system of divided powers. It should also be conceded that the ultimate aim of all sorts of governmental procedure ought to be the doing well of the ordinary governmental business. The mere safeguards, which at the same time interfere with the efficiency of government, ought to be looked upon as temporary expedients, to be removed when the danger is passed. While we may distinguish between the doing of the separate sorts of governmental business and the maintenance of such relations between the government and the people as will secure permanency, we ought not to confess that these are in themselves opposed to each other. The stress of attention should be upon the right conduct of business. It should be viewed as a sign of danger when the stress of attention is forced upon devices for mere existence. It is, therefore, a most interesting question for Americans whether the cabinet system can be made to work in a thoroughly democratic government. Canada is not entirely democratic and it is not entirely independent. England is not entirely democratic. The party cry of "one man one vote" is not yet law. The decided movement in the direction of democracy began both in Canada and in England in 1867. A quarter of a century is too short a time to test the permanence of any method of governing.

The great word used in describing cabinet government is the word Responsible. The ministers are responsible to the Crown. They are responsible to the House of Commons.

They are responsible to the people. The ministers are responsible for the conduct of all sorts of executive business, the conduct of the army and navy, foreign relations, and all that affects the honor of the nation. They are responsible, too, for the conduct of legislative business. In both England and Canada there is a sort of so-called private legislation, or legislation which is not directly managed by the Cabinet, yet the Cabinet is so far responsible even for this sort of legislation that they must not permit it to injure the public business. The Cabinet must use its majority to kill a private bill if it seems that serious injury will result from its passage. The cabinet system has all the virtues of a direct personal or despotic government. There is one man who, for the time being, has plenary power and plenary responsibility. He is the Prime Minister. He calls to his aid such men as he can trust to share his labors and his responsibility; and these together work as one man.

To have a responsible government, in the sense in which the word has been used to describe the cabinet government, executive and legislative business must be placed in the hands of the same men. In America we have deliberately determined not to do this. It has seemed to us dangerous to risk so much power in single hands. We set one class of men to make the laws, and an entirely different class to execute them. Of course, we use the phrase responsibility in office. The President is responsible to the people for the execution of the laws; Congress is responsible to the people for making laws; the judges are responsible for determining the validity of laws. All of these sets of officers are accustomed to defend themselves against any charge of injury to the people upon the plea that they were limited in their powers of action.

In the closing address of Speaker Reed upon the adjournment of the first session of the fifty-first Congress occur the following words: "Confident as I am of the verdict of time on what we have done, I am still more confident that the highest commendation will be given us in the future, not for

what measures we have passed, valuable as they are, but because we have taken a long stride in the direction of responsible government. Having demonstrated to the people that those who have been elected to do their will can do it, henceforth excuses will not be taken for performance, and government by the people will be stronger in the land."* For the first time in many years the Republicans had found themselves in possession of the two houses of Congress and of the Presidency. They determined to revise the tariff in the interest of the policy of protection. The Democrats resisted the measure, and resorted to methods of obstruction which had been often employed. The Republican majority in the House was small. By refusing to respond to roll-call, the Democrats could, much of the time, prevent a quorum, and thus render the conduct of business impossible. The Speaker assumed the responsibility of ordering the names of Democrats who were in the House and not voting to be entered on the roll as present, and in this way a quorum was declared present and the measures passed. This act was viewed by the Democrats as an unwarranted assumption of power, yet this is what Speaker Reed describes as "a long stride in the direction of responsible government." But it will be seen that the people, in order to get the benefit of this sort of responsible government, must see to it that the same political party is in possession of the two houses and of the Executive, while these are elected at different times and in different ways. The only full responsibility possible is that of party, and this can only occur when by chance the same party has control of the three branches of political offices.

The real virtues of American procedure cannot be shown on the side of responsible, easily understood, and efficient governmental action. We excel in the multitude of ways by which injurious action may be prevented. Mr. McKee departs in one place only from his ordinary rule, and, instead of brief illustrative selections, gives from the records over

* McKee's Manual of Congressional Practice, p. 22.

fifty pages to show how the bill authorizing the issue of treasury notes on deposits of silver bullion became a law.* It would seem that with the Republicans who favored the free coinage of silver, and the Democrats who for various reasons were disposed to vote for free coinage, the supporters of free coinage had a majority in each House. Yet the Speaker of the House and a majority of the Committee on Coinage which the Speaker appointed were opposed to free coinage. The bill was gotten through the House by the aid of the committee and the Republican caucus without the free coinage provisions. When it came into the Senate the silver men won a great victory by substituting the House bill for a Senate bill, and at the same time amending the House bill so as to embody a provision for free coinage. The act thus amended came back to the House and was referred by the Speaker to the Committee on Coinage. The silver men, elated by the success of their party in the Senate, were determined to force a vote at once on the Senate amendment. They challenged the act of the Speaker in referring the bill without consulting the House. They demonstrated the fact that they had a majority by securing a vote to amend the journal by striking out the words which indicated that the act had been referred. This done they claimed that the bill was on the table and was subject to be called up for action. Then followed a two days' debate over the question whether that bill was on the table where the majority could reach it, or whether it was in the hands of a committee which was unfriendly to the wishes of the majority. The result proved that the bill was in the hands of the committee, and being in the hands of the committee the free silver men were defeated. The committee and the Speaker together could so act that the bill would be killed or so amended as to remove the free coinage feature.

It should be remembered that this was the Congress referred to above and the same Speaker who boasted that he and his associates would receive the highest commendation of their

* Pp. 188–247.

fellow-citizens because they had taken a "long stride in the direction of responsible government." This is the American idea of responsible government. We hold all our officials responsible for making use of every means within their reach to protect the people from the hasty and disastrous action of the majority. Americans are generally disposed to commend the action of a determined minority who prevent a questionable act of a chance majority. The whole structure of our government is fitted to teach that a chance majority is not to be trusted. Even if the Speaker and his committee had been overborne, and the bill with the Senate amendment had been carried, our institutions would not have failed us. We still had a President who could have been trusted to veto the bill, and who had virtually promised that he would do it.

Can the cabinet system be trusted to always act wisely in the face of a sudden and ill-considered popular demand? It should be said in answer to this that, so far as the system has been tried, it has proved itself equal to all emergencies. It has not seemed to be more liable to hasty and injurious legislation than have our own governments. Will this continue to be the experience of cabinet governments when full and conscious democracy shall have been attained? Of course, this is a question which does not admit of a complete answer. All believers in democracy ought to hope and expect that the system will bear all the strains of a complete democracy. If it can be demonstrated that Canadians, Englishmen, Scotchmen and Irishmen can now govern themselves under the cabinet form of government, it would indicate that the complete democratic millenium is some centuries nearer than is indicated by the American system of checks and safeguards. In a comparison of this sort, a point is soon reached when all that can be said is simply that experience thus far has not determined anything, and prophecy is neither useful nor edifying.

There is, however, a certain action and reaction of the officers of government upon the citizens, and of the citizens

upon the officers, which is in itself a worthy and fruitful object of observation and study. Every well-informed American knows that if he joins a political party and agitates for a certain measure, the method of accomplishing his object does not stand out clearly before his mind. If it is the limitation or prohibition of the liquor traffic, there are a few things which the Federal Government may do, there are other things which, if done at all, must be done by the separate States, and the State is limited in its action by the Federal Government. A legislator may be chosen with reference to a certain line of action upon the liquor traffic, yet his relations to other legislators are such, and his relation to the conduct of public business may be such, that the voter may be wholly unable to decide whether his representative has in good faith attempted to carry into effect the wishes of his constituents. It is not at all unreasonable to suppose that by the very fact of these limitations and uncertainties the ardor of the would-be agitator is checked, and he may be thus led to settle down to a dependence upon the slowly-working forces of civilization, and cease to be an agitator. There is thus a tendency for the more ardent agitation to fall into the hands of the less intelligent, who have no adequate perception of these difficulties and limitations.

Again, when an agitation is started for the attainment of a good which involves conflicting and mysterious financial interests, the mere fact that there are so many checks and safeguards in the way of the attainment of the desired object may lead to the formulation of extreme and absurd demands. Does any American suppose that the demand of the Farmers' Alliance that the government should furnish the farmers all the money they want at a two per cent. rate of interest expresses the sober judgment of the members of the Alliance? I have talked with representative members of the Alliance, and I do not find any who have the slightest expectation of seeing their proposition brought to the test of experience. Some of them frankly state that they do not believe in the proposed loan scheme. I asked a farmer who had expressed

disapproval of the scheme why he had became a party to such a demand if he did not believe in it. He turned upon me and in true Yankee fashion, answered my question by asking me another. He said: "If you believed that a railroad company had injured you and you had decided to sue for damages, you would bring an action for a larger sum than you expected to get, wouldn't you?" For the sake of the argument I admitted that I would. "That is exactly the way it is with us farmers. We believe that we have fared badly at the hands of the government. We make strong demands in order to attract attention, and we expect to get something."

In the absence of experience it is impossible to say just how American citizens would act if these many checks and safeguards did not exist. It is not unreasonable to suppose that, if the citizens saw a clear and definite way whereby the object of desire might be attained, those whose minds were made up as to exactly what they wanted would be more persistent in their agitation, and those who did not know exactly what they wanted would be less ready to make extravagant demands. There can be little doubt that the form of government procedure does react upon the people. Looking simply at the temper of the people as shown under our present system it would not seem to be safe to dispense with any of our checks. In 1877, if we had had a cabinet system of government, and if the temper of the political mind had been unchanged, it would seem inevitable that we should have been visited with the great evils which we believe would result from the free coinage of silver. And there have been several times since the civil war when it would seem that but for our checks we should have suffered the greater evils of an unlimited issue of paper money. The question which cannot now be answered was: Would the people have manifested such a temper if they had been living under a responsible cabinet government in which there was no provision for preventing hasty action?

An American conversing with an English radical was trying to impress upon his friend the dangers which might arise under such a government as the English. Just at that time there were riots in Trafalgar Square. Violent and what seemed to be incendiary speeches were being delivered in Birmingham and, doubtless, in the other great centres of industry. "Now," said the American, "suppose in time of great excitement a strong movement to start among the laboring men. Why might they not elect a majority in the House of Commons, bear down all opposition and rush through Parliament a series of measures which would bring ruin upon the country? What is there in your constitution to hinder?" The Birmingham radical replied that England had a most satisfactory safeguard against any such disaster in the character of the English people. "Every true Englishman," said he, "is at heart conservative. This is just as true of the laboring men as it is of any class of Englishmen. They will not be led to act without due consideration." It will be observed that according to this view each particular Englishman carries in himself a full set of checks and balances. Americans place their checks and balances in their institutions and modes of governmental action, and thus relieve the individual of a large measure of political responsibility.

The cabinet system makes an immense demand upon a few individuals. The prime minister must select a group of men who can work together harmoniously, and who, at the same time, must satisfy the various groups of voters who make up the majority in the legislature. These bear the whole burden of administration and legislation. No ordinary man can fill the place of prime minister. The man who learns to do this work well is almost compelled to continue to do it as long as his powers endure. Sir John MacDonald held a leading place in Canadian politics for a generation and was continued in the place of leadership till the day of his death. The feeling is general in England that there is but one man who can lead the Liberal party, and he

has been in active politics for sixty years. As democracy matures and becomes self-conscious, and the burdens of government increase, can individuals be found who can fulfill this extraordinary demand? Mr. Gladstone's education was well advanced before the days of modern science, or before the so-called scientific method had a widespread influence. He has himself been an enigma to the scientist and to many who are not scientists. It is said that there are intelligent Englishmen who believe him to be a Jesuit in impenetrable disguise. Carlyle used to say that Mr. Gladstone had the peculiar faculty of deceiving himself. He would change his view and honestly believe that he had always held the newly-adopted opinions. It is well known that many other Englishmen take a much less charitable view and look upon the Liberal leader as a deceiver.

These personal observations would be wholly out of place in such a discussion if they did not illustrate certain weaknesses of the cabinet system. The Prime Minister must lead a party. The thoughts, feelings and purposes of a party are not always easily discerned. The party is constantly changing its purposes. He who leads the party is often forced to change his position upon questions of the day. With the rank and file of the party there is no serious trouble about this. Some may join the other party; some may remain in the party while openly dissenting from some of its teachings. But the Prime Minister cannot do this. He must uphold and defend all the doctrines of the party. In the very nature of politics that which has become the doctrine of the party was in the first place the doctrine of only a minority in the party. This minority goes to work to convince the majority that what they want is best. At this stage it is the duty of the Prime Minister to invent reasons for rejecting the wishes of this minority. Hence he is likely to appear as the opponent of the measure; but, if the movement gathers strength so as to threaten the control of the majority in the party, its leader may feel bound to assume a new attitude towards the new measure and may end in

becoming its champion and advocate. Probably the easiest and most correct explanation of the peculiarities of Mr. Gladstone's mind, which have given so much trouble to his countrymen, is the simple statement that he has followed the natural requirements of leadership in a cabinet government. As a leader of a party he becomes conscious of two or three courses of action which he may be required to pursue. If he is forced to make a public utterance in advance of the time of the decision, he will use a bifurcated or a trifurcated form of statement. He may do this in perfect good faith. He may have in mind two or three possible courses of action, and use language which, to his mind, may be construed to fit either course. His hearers are not so broad-minded; each one has his whole mind set upon his own particular choice of action, and he may think the leader's words to fit only his view. After a time, when a definite policy has been chosen, the Prime Minister may, in perfect good faith, go back and pick up his bifurcated statement and show its consistency with the final policy adopted. It becomes then an important question in the Liberal party what shall be done for a leader when Mr. Gladstone is gone. Are the younger men, whose modes of thinking and expression have been formed on more exact scientific models, able to take such liberties with human speech, and, at the same time, maintain their own self-respect and the reputation for high moral character which is demanded in a leader of the party? Or is the intelligence and temper of the party such that such facility of speech is not required? May Mr. Morley offer direct and undisguised opposition to the principle of an eight-hour law, and then, a little later, may he defend an eight-hour bill in the face of derisive opposition?

The cabinet system tends to promoted more intense party strife than does the American system. In Congress and in the various State legislatures it is customary for each political party to be represented upon the various committees. It is true a majority of the committee is made up of represent-

atives of the party which happens to control the organization of the house, but the fact that both parties are represented on the committee causes habitual co-operation of men of opposing views in a close personal way. A very large part of our legislation is the joint product of men of different parties who unite in committee in recommending the measures adopted. There are comparatively few questions which come to be so identified with a party as to be supported by all of one party and opposed by all of the other. It is true we have the legislative caucus which tends to promote unity of party action, but the caucus can be applied to only a few of the many measures before a legislature, else it would lose its authority. We may reasonably expect, as we become further removed from the memories of the civil war, that party feeling will grow still less intense and that a more generous spirit of co-operation for the common good will pervade the parties.

The great objection which has been urged against the American system is that laws are made in a secret and irresponsible way by secret committees; that the members of the legislature are themselves often necessarily ignorant of what is being done. This undoubtedly has been and is a source of considerable evil. But a large part of this evil arises from the simple fact that the people at large have lived in strange ignorance of the mode of procedure in their legislative bodies. The state of the public mind on the silver question is still affected by a strange story which was put into circulation a few years after the action of Congress on the subject of coinage in 1871. The story represented the Congress of the United States as secretly and hastily passing a bill demonetizing silver in response to a demand from the money centres of Europe. The public generally were induced to give credit to this story. Yet the records show that the bill was in the hands of the regular committee for two or three years; that the committee made its reports in the regular way; that it gave an unusually full explanation of the effect of the bill upon the silver dollar,

and the reasons for the action. Yet the great body of the members of Congress could truthfully say that they were entirely ignorant of the nature of the bill. It was at a time when there was no public attention given to the subject. The measure simply went the ordinary round of committee legislation, and passed the two houses unanimously. When, a few years later, there was an intense public agitation of the subject, wide-spread ignorance of ordinary procedure led to a general belief in a foolish and absurd report.

Many of the worst evils of the committee system of legislation will disappear with a general knowledge of what the committees do and how they act. If it is generally known that the committees make the laws, the action of the committees will be of interest to the public. The public will insist upon being let into their secrets. The action of the committees will become in an important sense responsible action. Successful democracy involves, as a necessary condition, that the people shall be familiar with the modes of governmental action, whatever they may be. This is simply another way of saying that the people must know upon whom to fasten the responsibility for various acts. There is encouragement in the manifestation of increased popular interest in this subject. There ought to be a call for many editions of Mr. McKee's book.

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SOCIAL WORK AT THE KRUPP FOUNDRIES,

ESSEN, A. R., GERMANY.

Philanthropic efforts to improve the condition of the laboring classes are so numerous and so well known to American students of sociology that further discussion of similar movements may seem at first glance unnecessary. When these movements are more closely examined, the results are usually found to be very unsatisfactory and of little scientific value, for two reasons: either they affect the interests of too small a number of workmen, or else they are spasmodic and short-lived. The erection of workingmen's dwellings, schemes for profit-sharing in one or another of a hundred forms, efforts to furnish educational advantages and opportunities for amusement, have been part and parcel of many a large American firm's routine work in the past two decades. Rather fewer in number have been such experiments in Europe; but whether in America or Europe, the elements and conditions for tracing a single experiment through a series of years are usually wanting, despite abundant material in labor reports and elsewhere. As an example of this, let us take the history of profit-sharing. If we examine the reported cases of profit sharing and retain a fixed definition of profit-sharing throughout the inquiry, we find only a small number of cases in which real profit-sharing exists. The remaining cases fall in one or the other of the following four categories: (1) where a definite percentage of the net profits is not divided; (2) where the amount to be divided is a fixed sum determined before the net earnings are known; (3) where the amount received is by agreement to be devoted to a definite object, such as the founding of a library for the use of the factory's employés; (4) where the employés simply receive extra pay while acting in the capacity of agents for the firm's goods. In all of the four

classes, pure profit-sharing does not exist. The reports of the cases of actual profit-sharing are, moreover, so incomplete and fragmentary that the greatest variety of conclusions can be drawn from them. The records of co-operative stores and of single attempts on the part of individual firms to add to the contentment and welfare of their workmen are not more satisfactory. The difficulties are resolved into the two classes already mentioned; either the number of persons affected is too small, or the period of time is too short to form reliable conclusions. New material, therefore, will be useful, especially if it is less open to the foregoing criticisms. Such is the case with some very interesting experiments made by the firm of Friedrich Krupp, in connection with their world-famed cast steel works in Essen, on the Ruhr River. Essen lies very close to the western boundary of Germany, about fifteen miles from the Rhine and about thirty-five miles north of Cologne. The town itself is quite old, but its activity centres in and around the Krupp foundries. In 1890 the population of Essen was nearly 79,000, and this number included 16,000 of Krupp's workmen (with their families, numbering over 50,000). In addition to this, a large number of the factory hands live in the workmen's colonies in the suburbs of Essen, and are not reckoned with the population of the city, while about 3000 Krupp employés are located at various branch works. The total number of men employed by the Krupps and affected by their social experiments was, according to the census taken in this year, 25,200; and with their families amounted to 87,900 persons. This number was much smaller when the first experiments were begun, but we have here an opportunity to examine a series of experiments covering a period of a quarter of a century, and directly affecting a number of employés rising from 8000 to 25,000, and a number of persons varying from 30,000 to over 85,000. So huge an undertaking on the part of the greatest industrial establishment in Germany, and one of the greatest in the world, is deserving of more than passing attention.

The results of these social experiments are not to be obtained from observation only, for careful records to the most minute details have been kept. Within recent years the oversight and organization of this work have occupied the entire time of a skilled director, who makes constant reports to the firm. These records have been partly published. In 1883 Mr. Krupp issued, for the use of the officers of the works and for distribution among his personal friends, a little book giving a sketch of the origin and progress of the movement for improving the condition of the workmen employed at the works, and containing in full the rules and regulations of the various associations. It was intended mainly as a convenient manual of the rules affecting the employés and for the use of the officials of the works, and was not, therefore, given to the public. Toward the close of last year a second enlarged and illustrated edition of the book was issued. This edition contains full information respecting the social work down to 1890, together with much interesting statistical material. Although this edition was also issued for private circulation only, the firm does not object to furnishing this material, so far as possible, for scientific purposes, but maintains that a wider circulation of their descriptive volume is inexpedient, owing to labor disturbances and discontent throughout Germany.*

Before discussing the work proper, another introductory word is necessary on the growth of the Krupp cast steel works and the motives of the firm in their social work. The works were started in a very humble way in 1810, and thirty-eight years afterwards employed only seventy-two men. It was not until in the fifties that cast steel attained such universal use that the factory required much enlargement. In the fifty years, 1841-'90, the number of persons employed by the Krupps rose nearly 2000 per cent., and the

* The writer wishes to acknowledge his indebtedness to Professor Fitting, of the Law Faculty, University of Halle, and especially to Director Fitting and Dr. Pieper, at the Krupp works in Essen, for much assistance and many courtesies in enabling him to personally inspect this work and in furnishing material for a closer study of it.

population of Essen increased in the same period about 1200 per cent.; but the number of dwelling-houses in the town of Essen increased only 600 per cent.* It is, of course, to be taken into consideration that the houses have increased in size, and that this figure does not, therefore, represent accurately the increase in dwellings. The proportion of Krupp employés living without the city limits has also, in recent years, rapidly increased. The motives that induced the Krupps to undertake the experiments described below were twofold: the business interests of the firm and philanthropic considerations.

The rapid increase of population in the city of Essen worked to the injury of the laboring classes in three ways: first, the dwelling capacity was overtaxed, and high rents, sickness, and disease followed this overcrowding; secondly, the number of petty shops dealing in the necessaries of life increased, and furnished bad goods at exorbitant prices; thirdly, discontent and socialistic ideas spread among the laborers, and the standard of the workmen that could be retained for long periods of time gradually lowered. These tendencies were quite apparent in the years 1861–'62, when the Krupps first began to build workingmen's dwellings.†

* The rapid increase in the number of men employed can be seen from the following table (figures given only in round numbers):

1832..... 10	1858..... 1,040	1871..... 8,810	1888.....13,1 0
1844.....100	1860..... 1,760	1872.....10,390	1889.....14,200
1848..... 72	1861..... 2,660	1874.....11,543	1890.....15,500
1849.....100	1863 4,180	1875..... 9,700	1891.....16,000
1850.....230	1864..... 6,690	1882.....11,000	
1855.....700	1865..... 8,180	1887.....12,600	

These figures include only the men employed at Essen. The total number employed by the Krupps, including the branch works, averages 50 per cent. higher. Thus the total number in 1888 was 21,000, and in 1891 it amounted to 24,000, and is now 25,200.

† The following table shows the average number of persons to each house in Essen at different periods:

1820.....6.39	1855.....11.66	1867.....14.60	1885.....15.14
1830. .....6.80	1858.....13.11	1871.....15.50	1890.....16.22
1840.....7.53	1861.....12.71	1875.....12.75	
1849.....9.28	1864.....15.30	1880.....13.06	

In the workmen's quarter of the city the conditions were extremely unfavorable. The number of persons in each house in 1864 was as high as 23.89. Rents in the middle of the fifties for a two-room dwelling ranged from $18.00 to $22.50 per year, and gradually rose to a point fifty per cent. higher. The death rate in that quarter of the city was 5.55 per cent. for a long period, whereas it was only 3.41 per cent. for the entire city. Suffice it here to say that, with respect to the per capita house rate, the Krupp building schemes have kept the same at almost the point that it was in 1864, in spite of the great increase in population and in the size of houses in the later periods.

Taking into consideration the fact that, during the period prior 1850–1870, the workingmen's houses were for the most part small, with an average of twenty-three persons to each house, and a death rate of over 5.55 per cent. of the population, we can readily imagine the sanitary and moral conditions there existing. A still further call for relief made itself felt in the results of a cholera epidemic in 1866, which played havoc and wrought great distress among the laboring classes. Another important factor in suggesting to the firm the need of action on their part remains to be considered; this was the general rise in the prices of the necessaries of life, which was largely due to an increase in the number of small shops doing a small business. These small stores furnished poor goods at high prices, and to draw trade offered prizes in the form of a present of whisky proportionate to the amount of goods purchased. Many of them were in private dwellings carrying on traffic without license, and doing a credit business with corresponding extortions. These shops have not been entirely superseded by the establishment of the Krupp stores, for the prize and credit features, and the fact that the stores are conveniently located in streets through which the workmen must pass daily, offer strong attractions. The foregoing conditions, as a whole, were the causes that bred discontent among the working classes in Essen, and led to revolutionary and

socialistic meetings and outbreaks, and finally to a great strike in 1872 that lasted six weeks. An understanding of these conditions gave definiteness and increasing incentive to action on the part of the firm. It has followed mainly two lines. One consisted in the erection of good and healthful dwellings, of which the firm has already over 3700, and in the establishment by the firm of large stores to free the workingmen from the usurious exactions of the petty shops. Closely related to these two movements have grown up a number of minor schemes and efforts for the social, moral, and intellectual improvement of the employés.

With this general survey, we can now consider the different single efforts made at Essen under two general heads: (*A*) Those for the improvement of the material conditions of the laborers; (*B*) those for educational purposes. Under the first group we shall discuss:

1. The building and renting of workingmen's dwellings.
2. The firm's co-operative stores, and boarding accommodations for unmarried workmen.
3. The treatment and prevention of sickness and disease.
4. Insurance against accident and sickness; pension funds; savings banks, etc.

For the purposes of this paper, the second general group interests little, and will occupy less of our space. It includes a discussion of:

1. The common and industrial schools.
2. The education of apprentices and the training of young girls in housekeeping.
3. Humanitarian rules in factory work; assistance in maintaining religious teaching and in charity work.

(*A*) EFFORTS TO IMPROVE THE MATERIAL CONDITION OF THE LABORERS.

Our purpose being descriptive and historical, a statement and summary of additional facts will often occupy space which could much more entertainingly be devoted to a discussion of the relative importance and underlying principles of those already given.

1. *The Building and Renting of Workingmen's Dwellings.* —The first start in this direction was made in 1861–'62. Two rows of houses, one with six dwellings and the other with four, were built for the foremen of the factory. The outer walls were of heavy stone and plastered work, and the inner walls separating the dwellings consisted of heavy wooden frame-work filled in with broken stone, and then plastered over (Steinfachwerk). Each dwelling contains three rooms on the first story, three attic rooms, and a cellar under half the building. The first story is nine feet four inches in height, and the attic story eight feet four inches. The four rooms of the dwellings, not including two bedrooms, have a total floor space of 528 square feet. Up to the present time these dwellings have been reserved for foremen of the works.

In the summer months of 1863, the first colony of workmen's dwellings known as Alt-Westend was built. It contained eight rows of houses two stories high, each row having sixteen dwellings of three or four rooms each, and so arranged that the four-room dwellings could be divided into two-room dwellings, and so rented if necessary. The first stories have a clear height of over nine feet and the second of over eight; the outer walls are of plastered stone work in the first story, surmounted by plastered frame-work, and each dwelling has a cellar. The total floor space of the rooms in each dwelling, exclusive of bedrooms, did not average quite as much as in the case already mentioned. The buildings are simple, and in the words of Mr. Alfred Krupp, were intended for poor families who must save, but desire a healthful dwelling, and not for those to whom a few more dollars a year made no difference, when it meant that they could live more comfortably.

A second colony, called Neu-Westend, was completed in the winter of 1871–'72, and was constructed on a somewhat different plan. Here are to be found ten double houses three stories high, each containing two two-room dwellings on each floor, that is six dwellings to each house and sixty

dwellings in all. In addition to these, there are eight double houses, three stories high, with two three-room dwellings to a floor. Thus, these houses have also six dwellings to a house, and forty-eight in all, with a grand total of 108 two and three-room dwellings for the colony. The outer walls of the buildings in this colony are of brick. The great need of dwellings on the part of the poorest classes of the workmen, which made itself felt before the completion of this colony, required the erection of another colony called Nordhof, on the so-called "Baracken" system; that is, frame houses built in solid rows. In little less than seven months, this colony with 162 dwellings, containing from two to four rooms each, was completed. Of these 162 dwellings, 126 were constructed on the "Baracken" plan. They are plain frame houses built in rows, two stories high, with one room on each floor, but with a separate entrance from the street for each house All sanitary arrangements, closets, etc., are outside of the house. The work progressed so rapidly that the remaining thirty-six dwellings of three and four rooms each belonging to this colony could be more solidly built of brick and three stories in height.

The colonies built in the years 1871–'73 need only be mentioned here: one contains 154 dwellings of from three to five rooms each; the other with eighty-two houses, contains 492 dwellings of from two to four rooms each. Both of these colonies comprise buildings of stone and plastered work. An addition of seventy Baracken buildings, with four dwellings of two rooms each, has been made to the last mentioned. This makes a total of 280 two-room dwellings for the colony. These Baracken dwellings are now rented for almost nothing, or given rent free to widows and relatives of former workmen.

The largest colony of all is known as Cronenberg, and is deserving of closer attention. It was built in the years 1872–'74, but since then has been enlarged several times. It is situated not more than one hundred steps from the west boundary of the works. According to the census of March, 1892, 8001

persons lived within the limits of this colony, which covers over fifty acres of land. On eight streets running the length of the colony, and ten cross streets ranging in width between curbs from twenty-seven to forty-one feet, and with sidewalks eight feet in width, are situated 226 three-story houses built with walls partly of rough brick and partly of rough stone. Some are in rows and some in pairs. Here are located dwellings for several officials and school teachers connected with the works. A parsonage, two school buildings, a Protestant church, several branches of the co-operative store, an apothecary shop, a post-office, and a market-place one-third of an acre in size, a restaurant with games, bowling alley, etc., and a library with a large hall for workmen's meetings, have been erected by the firm within the limits of Cronenberg. To return to the dwellings, there are within this colony nearly 1600, varying from two to five rooms each. Each house has a cellar and garden, and a share in a common place for drying clothes.

There remain two groups of buildings to be mentioned here. One is the fire engine house, which is a long building two stories high, with room for the service, and in addition eight dwellings of three and four rooms each for married firemen, seven rooms used in connection with the fire service, two family dwellings of five rooms each for the watchmen and coachmen, three offices, two working rooms and a wash house. The second group consists of dwellings for the officials of the factory. Two of these were built as far back as 1863, but the others are for the most part of recent date. These dwellings are large commodious houses, architecturally pretty and very comfortable. They number in all fourteen buildings; four of them contain each one family, while the others accommodate forty-four families.

Besides those mentioned, there are a large number of buildings erected by the Krupps, such as dwellings for officials, stores, bath houses, schools, etc. The comparatively large number of two and three room dwellings can be criticised and compared with American conditions only after

due allowance for German customs and habits of life. The average number of rooms to a dwelling throughout Germany for all classes is not nearly so high as the American average.

The relative merits of different systems and plans for building have often been discussed and carefully studied by the Krupp firm. From the beginning, the firm would willingly have adopted the so-called cottage system, by which small houses could be built alone, or even in pairs, had it been possible. The building scheme was never intended as a charity, but to be carried out on strict business principles, the firm renting the houses so that they would pay for the cost of administration, and a low interest on the capital invested. The high price of land made it necessary to build houses close together in order to bring the rents within the means of the workmen. The firm's strict sanitary regulations, which are not merely on paper, but are rigidly enforced, make the ensuing conditions less objectionable than might be supposed. The fundamental principle followed was that all the dwellings should have a good location, with ample means of access for light and air, and good water supply, and should be so arranged that in spite of the fact that the dwellings are close together, each single dwelling shall be as much cut off as possible from the neighboring ones. Each house contains a number of dwellings, but it stands alone; the streets are wide, and considerable ground separates one house from another. All the 3000 dwellings are within fifteen minutes' walk from the works. The dwellings are, with but few exceptions, rented only to employés of the works. Those longest in the firm's employ and, among these, those with the greatest number of children, receive any favors in the selection of dwellings. Policemen and teachers in the town are also eligible to become tenants of the firm. A rather strict and elaborate lease must be signed, and all tenants agree to obey a code of house regulations which, among other things, forbids the carrying on of any business in the dwelling, sub-letting, quarrels with neighbors and disorderly noises, building alterations or additions, filthiness

DR.

Capital actually laid out in buildings, . . .		$2,760,612
Capital " " " " ground, . . .		303,406
		$3,064,018

CR.

Total income from rents for the year,		$121,168
Repairs to property, ...	$28,169	
Public lighting, water, roads, gardens, etc., ...	16,912	
Fire insurance and taxes, ...	12,000	
	57,081	
		$64,087

This shows a net income of 2.1 per cent. on outstanding capital without deducting anything for wear and tear on buildings. Outside of Essen the firm has 523 dwellings (with 131 rent free not included), which stand as follows:

DR.

Capital laid out in buildings, ...		$385,425
Capital " " " ground, ...		50,158
		$435,583

CR.

Rents in full for the year, ...		$16,761
Repairs, ...	$2,797	
Lighting, water, gardens, roads, ...	756	
Taxes and insurance, ...	1,976	
	5,529	
		$11,232

This shows, without deductions for wear and tear on buildings, a net income of 2.5 per cent. on the capital invested. In reality the Krupps have spent these balances in other ways for the benefit of their men. The building account has, however, been kept separate in order to show that this work can be made to pay at least cost, though no real profit, for these sums of money could be readily loaned on good security for double this apparent income.

Another question that had to be promptly decided was whether the firm would part with their buildings to such workmen as might wish from time to time to buy their own homes. This was decided in the negative. As we shall see

in another place the firm has done what it could to encourage saving, and the disposition on the part of the men to earn homes of their own. It was, however, impossible to sell the firm's houses with a restriction upon further sale, and without such restrictions the houses that the firm had taken the pains to build might easily in the course of time get into the hands of speculators and the old evils return. Therefore, the firm has decided to retain possession and administer its own property as much in the interests of the men as possible. The increased demand for property in the neighborhood of the foundries has proven the wisdom of this policy.

The erection by the firm of school buildings, churches, dining halls, boarding houses for unmarried workmen, stores, a theatre, library, etc., will necessarily be touched upon in the respective sections under which the movements fall and therefore need not be mentioned here.

We are now ready to turn our attention to the experiments to decrease the cost of and improve the quality of the food and necessaries of life purchased by the laborers in Essen.

2. *The Firm's Co-operative Stores and Boarding Accommodations for Unmarried Workmen.*—In 1868 there existed in Essen a small co-operative society, the majority of whose members were connected with the Krupp works. At the request of the officers of this society the firm undertook its management and changed its character to that of a "*Consum-Anstalt*," or a complete store on a large scale, whose object should be to furnish all varieties of first-class goods needed by the workmen at lowest possible prices. For many years the firm ran this *Consum-Anstalt* on its own account and at its own risk, grading prices so that the cost of administration would be covered without attempt at profit. An exact balance of accounts was, however, impossible and small profits were made, which were turned into other channels for the benefit of the employés. In order, however, to do away with all possibility of doubt in this direction, a plan of real co-operation has been adopted in recent years. All sales are made solely on a cash basis. No credit whatever

is given. Any person is at liberty to buy at the stores. Employés of the works are entitled to receive a book in which all purchases made are entered with prices of the same. Over 11,000 of these books are now outstanding. At the end of each business year (November 1) these books are handed in and the total profits of the business are then divided among the holders of the books in proportion to the value of purchases, and paid in the form of a cash rebate on or before December 15. This brings each family a little cash at a very desirable time of the year and has amounted to as much as five per cent. of the year's purchases. This plan enables the *Consum-Anstalt* to keep its prices near to those of its competitors without depriving the workmen of the fullest privileges possible. The general range of prices at the *Anstalt* averages a trifle below the range of ordinary market prices, but as a rule follows the same course.

So rapidly did the *Consum-Anstalt* grow that in 1890 it comprised not only the main store, a large modern building about 200 feet square, but also fifteen retail grocery stores located throughout the various settlements, nine branch stores for manufactured goods, one shoe factory and three branch shoe stores, one hardware store, one mill and bakery, with six bread stores, a slaughter-house, with seven retail meat stores; two clothing establishments, seven restaurants, one wine store and an ice company, one coffee house, a brush factory, a laundry and a weekly market for fresh vegetables brought in from the surrounding country. It should also be mentioned that there is a separate establishment to roast the coffee consumed, and that the machinery for this purpose browns over 2500 pounds a day. During the year 1890 fifty-two persons were engaged in connection with the slaughter-house, which slaughtered 1335 steers, 1343 calves, 4907 swine and 817 sheep. Among the employés of the *Consum-Anstalt* in 1890 were 449 persons, who were either widows or daughters of the workmen in the foundries, and their wages amounted to $10,758.

That phase of the plans for food supply that includes the boarding facilities for unmarried workmen remains yet to be described. Before doing so we would mention the hotel known as the "Essener Hof," which is run by the firm, but is intended for guests of Mr. Krupp, and especially for persons doing business with the firm. Only when not filled in this way is it at the service of the public. Its capacity is limited to twenty-five rooms, beside dining and reception rooms, billiard halls, etc. By special arrangement, however, the principal officers and directors of the works dine regularly here at reduced rates. The boarding establishment is known as the "Menage." It was started as far back as 1856 with 200 unmarried men; through the sixties it had an average of 500 men, and by 1873 the number had reached 1775, but sank again to less than 500 persons in 1875. At present it averages about 800 men. The fall in numbers was largely due to the desire on the part of the men for greater freedom than the supervision of the "Menage" allowed. In 1884, in the interest of the moral and physical welfare of the employés, it was made compulsory for all unmarried workmen, not living with relatives, upon entering the employ of the firm to become members of the "Menage." In the first years of the "Menage" the men received lodging, dinner, with meat four times a week, supper, butter, coffee and washing for fifteen cents per day. In 1862 the price was raised to seventeen cents per day, and in 1869 to eighteen cents, with meat every day for dinner. In 1874, on account of the high price of food, the charge went up to twenty cents, where it has remained since that time, with, however, constant improvement in the food given. At present the men receive meat or fish three evenings in the week, as well as at dinner, and are not limited in quantity eaten.

So much for the food supply. The methods by which the plans are carried out are all open to inspection, and no charges of advantage on the part of the firm, as is usual in the case of a company's stores, are made. All the employés

do not use the *Anstalt*, because the prize system and offers of credit have greater weight with the careless, unthinking, improvident element than the slight apparent difference in price. On the other hand the largest and best part of the employés are glad to deal where they receive an advantage and are not misled by misrepresentations of goods. The fact that over 11,000 books of account between the *Anstalt* and the employés are outstanding speaks for itself.

3. *The Treatment and Prevention of Sickness and Disease.*— Every care has been taken by the Krupp firm to have buildings so located and constructed that epidemics from inherent causes will be impossible. It was still necessary to provide for strict medical supervision. A board of physicians was formed whose sole duty is to look after the health of the employes and their families. The proper removal of all refuse matter and the condition of the drains in all buildings receive careful attention from this sanitary board. Two disinfecting machines are owned by the factory, and are used for disinfecting beds, clothes, etc., as well as houses. The process is elaborate and thorough in its effects. In the last fifteen years it has been used on the average eighty-three times a year.

It will be remembered that the death rate in the workingmen's quarter of the city of Essen before the Krupp buildings were constructed was over five per cent. In the past twenty-one years the highest death rate has been 1.7 per cent., and the lowest 0.8 per cent., and the average for the period only 1.23 per cent. This is an exceedingly favorable state of affairs when we consider that no country taken as a whole shows a lower death rate than 1.79 per cent., and that the average for the German Empire is nearly four per cent. This comparison, however, must be made with the fact in mind that we are dealing here with an average death rate among adults only. Unless accidents among the workmen are numerous such a death rate must always be far below that of a population including children, half of whom die before reaching the fifth year. The Krupp

figures should include statistics of the families of the employés. It is probable that these would show a very favorable comparison if such a record had been kept.

During the Franco-German war in 1870 Mr. Alfred Krupp erected a hospital where sick and wounded soldiers might be taken care of, and when this temporary necessity no longer existed, the firm in May, 1872, made the hospital permanent for the treatment of sick employés. In 1887-'88 two new departments for the use of women and children of the employés' families were erected, and in 1889-'90 the old buildings were largely rebuilt. The hospital is well located and consists of five wards in separate buildings constructed on the most improved plan. The grounds comprise four and a half acres of land, three-quarters of an acre being taken up with buildings, and the remainder laid out in gardens. The capacity is ample for the needs of the works. The men's wards have had an average of about fifty patients yearly for the last ten years; they can easily accommodate ninety. The appliances of the hospital compare favorably with other first-class German hospitals. From the opening of the hospital in May, 1872, to July, 1891, 14,134 cases have been treated. The total average cost per day per man treated has been varied, from thirty-eight to seventy-five cents. According to law all the men in the works must be insured against sickness, and this insurance association (also belonging to the works) pays the hospital fund as follows: For each day of treatment for men, thirty-eight cents; for women, thirty cents; for children, from twenty to twenty-five cents. While this to some extent covers the running expenses of the hospital, there is a large deficit each year, which is paid by the firm as a charity. As an additional prevention to the spread of epidemic diseases the firm has erected two lazarettos outside of the city, where severe contagious diseases are promptly treated with the least possible danger to the community.

Recognizing the importance of cleanliness as a preventive to all disease a large bathing establishment has been erected under the supervision of the physicians, and is so

arranged that steam baths can also be given when prescribed. The physicians have authority to order baths to be given to sick persons and charged to the account of the insurance association. The use of a bath tub for an ordinary bath costs two and a half cents; with towel, three and three-quarter cents; a steam bath costs twenty-five cents. Free baths are prescribed for certain workmen whose work may require the same, and the number of such baths given in 1890 was 6000. These figures do not include the bath tickets (in 1890, 8457) issued, at a cost of two and half cents each, at the city swimming bath house, which is the popular bath with the men during the summer months. Two additional bathing establishments have been erected at a cost of $5000 and $2500 respectively in the neighboring mining districts owned and operated by the Krupps. Both bath houses can be used free of charge by the miners and the families. It is the intention of the firm to increase the number of free bathing establishments throughout their mining settlements.

4. *The Establishment of Insurance, Pension and Relief Funds, Building Associations and Saving Banks.*—The insurance associations connected with the works are three in number—one for insurance against accident, one for life insurance, and one for insurance against sickness. They are operated under different rules and regulations, according as they apply to the officials or the workmen. The laws of the German Empire, as well as the stricter regulations of Prussia, require all workmen employed in factories, foundries and similar establishments to be insured against sickness and accidents; in the case of the former, at the joint cost of employer and employé in the proportion of one-third and two-thirds respectively, while in the case of the latter, the insurance is at the sole cost of the employer. In both cases the employer is responsible by law for the entering of the employé on the books of an insurance association under government control. Under the law of June 15, 1883, the combination of the various insurance funds and associations into one organization was forbidden. As early as 1853, the Krupps

had a fund for the payment of sick and death benefits, into which both the firm and the employés paid dues.*

The membership varied from 1750 in 1856 to 18,715 in 1884, and the number of cases of sickness per member per year was lowest in 1860, when it averaged 1.33, and highest in 1865, when it was 2.59; the average for the whole period was about two cases per member per year.

To understand the change that took place January 1, 1885, and the firm's relation to the various insurance schemes started on or after that date, it is necessary to sum up the provisions of the three main insurance laws affecting the workingmen of the German Empire, the Accident Insurance Law of July 7, 1884, the law for Insurance against sickness passed June 15, 1883, and the law of June, 1889, for Insurance against old age and incapacity for work.

The principal points of the Accident Insurance Law (*Unfallsversicherung*) are: (1) That it affects all laborers and officials employed in mines, factories, foundries, salt works, quarries, etc., and engaged in employments where masonry, carpentry and roofing is necessary, also, where steam, water, wind or gas-power machinery is used, whose yearly salary or wages do not exceed $500. (2) For the persons included in the above-named employments the insurance is compulsory. (3) The insurance covers all accidents unless premeditated and grants reparation for the

* TOTAL STATISTICS IN ROUND NUMBERS, OF BENEFIT FUND FOR THE PERIOD 1856 TO 1884 (INC.).

The history of this fund up to January 1, 1885, when it was divided according to the provisions of the law of 1883, may be readily seen from a glance at the following table:

Dr.		Cr.	
Entrance fees,	$24,000	Nursing, care of sick members,	$164,000
Members' dues,	1,000,000	Sick benefits paid in cash,	450,000
The firm's dues,	500,000	Cost of medical treatment,	384,000
Fines,	36,000	Assistance in exceptional cases,	184,000
Accumulated interest,	145,000	Pensions,	90,000
Miscellaneous income,	10,000	Death benefits,	44,000
		Miscellaneous sums voted,	9,000
	$1,715,000	Balance on hand, Jan. 1, 1885,	390,000
			$1,715,000

same. (4) The reparation consists (*a*) in the payment of the physician's charges from the beginning of the fourteenth week of sickness, and continuing until the end of the same, and also during the same period, including the payment of a benefit fee amounting to sixty-six per cent. of the member's wages. The wages are reckoned on the basis of the past year's wages, or on the basis of the customary wages at the specified place, if they are higher for similar services. If the wages exceed one dollar per day, only a third of the amount in excess is counted. Up to the end of the thirteenth week the injured person is entitled to physician's charges and benefit fee from the funds of the Association for Insurance against sickness, and not from the Accident Insurance Association. (*b*) In case of death, in addition to the above, the cost of burial must be paid by the Accident Association, and the same must equal $7.50 as a minimum, and be equal to twenty times a day's wages of the said person. The widow of the deceased must also receive up to her death or re-marriage a yearly benefit equal to twenty per cent. of the deceased's wages, and each child up to the fifteenth year, from fifteen to twenty per cent. of the same; widow and children combined cannot, however, receive more than sixty per cent. of the deceased's wages. Living ancestors, if dependent upon the deceased as sole provider, also receive amounts up to twenty per cent. of the deceased's wages. If the widow re-marries, she receives upon that occasion a sum equal to three times her yearly benefit, and then has no more claims. (5) The burden and cost of insurance fees, in so far as they are not for funds covering the first thirteen weeks of sickness, must be borne exclusively by the employer. (6) The insurance is taken by associations which must be organized in specified districts by the entrepreneurs under permission and control of the Bundesrath or Upper House of the German Empire. These associations are to be directed by boards representing the interests of both employer and employés. (7) A special Imperial Insurance Officer has the control and oversight of these associations. (8) No further

legal responsibility rests upon the employer for the persons who come under these insurance laws.

Supplementary laws in 1885–'86–'87 have not materially altered the above Accident Insurance Law, except to extend its scope and make it apply to additional trades and industries. About five million German workmen are insured under the provisions of the various laws.

The Law of 1883 for insurance against sickness requires only a word of explanation. It applies to nearly all classes of workmen who are employed for a week or more and receive wages. It requires them to be insured in one of six classes of associations to be formed according to the provisions of the law, according to localities, industries, groups of industries, etc. In case of sickness the insured receives medical treatment free of charge for thirteen weeks, and from the third day on, a benefit equal to half the customary day's wages at the place in question. The member's fees may equal two per cent. (usually one and a half per cent.) of his day's wages, of which one-third must be paid by the employer.

Mr. Krupp planned associations covered by the above laws, and in some cases going farther, and then secured the government's approval of his plans. The points in which his Insurance Fund for sickness offers advantages beyond the legal requirements are: (1) Members who have been employés of the works for five years can be paid the full cost of treatment for twenty-six weeks instead of thirteen. (2) Married men or widowers with children receive in addition to the legal sick benefit five per cent. of their wages for each child under fifteen years of age, provided, the whole benefit received does not exceed two-thirds of the respective member's wages, which also cannot be reckoned at more than one dollar per day. Sixteen physicians, among them two eye specialists, are employed by the fund. Ten of them are in Essen and the others at branch works. The members of the association have the privilege of choosing their physician from among the number, and can also, by paying a quarterly

fee of thirty cents, secure the medical services of the physician for their families without further costs. On several occasions this fund has received special gifts from the Krupps, and has a regular income from the same source of the five per cent. interest on a $10,000 endowment. The membership of the association numbered, in 1890, 15,572.

The Accident Insurance Law was supplemented by the firm undertaking to insure at its own expense all officers having a yearly salary of over $500, and all employés who, for any reasons whatsoever, do not come under the law of July 6, 1884. According to the terms of this special insurance, in case of death in consequence of an accident in the works, the family or relatives of the insured receive the insured's full wages for the month in which the death takes place, and for the two following months; thereafter a yearly benefit for the widow of twenty per cent., and for each child under fifteen years fifteen per cent. (combined not to exceed sixty per cent.) of the deceased's salary. In case of accident the insured receives full wages during the period of recovery, and after the same a benefit varying with his diminished capacity for work, but not to exceed two-thirds of his former wages.

A Life Insurance Association was formed in 1877, whose object was to assist and encourage the taking out of life insurance policies among the officers and men. Arrangements have been made with eight life insurance associations, whereby in most cases the society by direct communication receives the full or a part of the commission usually paid to agents. This association has an endowment from Mr. Krupp of about $13,500, and is administered by officers of the firm without charge. Any employé of the works is eligible to membership by taking out a life insurance policy in one of the eight companies. The advantages of membership are: (1) The avoidance of all trouble in the payment of premiums, etc., which is looked after and paid through this society. (2) Saving of costs in taking out a policy through the society, that is, there is an exemption from entrance fees,

examination fees, etc. (3) The insured receives half of any commission that the association gets on new policies. (4) Members are also assisted in the payment of premiums, and in the tiding over of difficult periods when otherwise a policy might have to be given up. In 1890, the membership amounted in round numbers to 2000, with policies aggregating $1,000,000.

Pensions for workmen in old age and for their widows and orphans were provided for in years preceding 1885 in connection with the common fund for sickness and accident. Since the separation of funds, which then took place, the pension question has become a more important one. As the pension funds now exist, they may be briefly summed up as follows: First, a pension fund for workmen receiving wages amounting to less than $500 a year; secondly, a fund for officers and men receiving more than $500 yearly.

The workmen's pension fund started with the capital received from the former fund for sick and death benefits and assumed the obligations of the same to pension the persons belonging to that fund. The members of the new fund pay an entrance fee equal to one and a half times their day's wages, provided the fee does not exceed $1.50. The dues amount to one and three-tenths per cent. of the member's wages. Since January, 1891, Mr. Krupp pays each year into the fund an amount equal to the sum of the dues paid by the members; from 1885 to 1891 the firm paid yearly a sum equal to one-half the dues paid by members. A workman is entitled to a pension after twenty years of service at the works and membership in the pension fund, or after fifteen years of exceptionally hard work and incapacity for further work, to be determined by the firm and directors of the pension fund. The amount of the pension after twenty years of service is forty per cent. of the average wages or salary of the last three years before the receipt of a pension (provided this was not lower than formerly on account of incapacity for work) and is increased one and one-half per cent. for every year of service over twenty that the member

may have served. When wages or salary exceeds $1.50 per day, the amount in excess is not reckoned; the daily wage-rate determined is then multiplied by 300 for the year's amount and the pension is paid on this basis. In case of death the widow of a member of the pension fund receives up to her death or re-marriage fifty per cent. of the pension which her husband would have received, and each child under fourteen years receives ten per cent. up to completion of the fourteenth year, or if the mother is not living, the children receive fifteen per cent. instead of ten, under the same conditions; the total amount received by the family, however, must not exceed seventy-five per cent. of the pension that the member received. The widow's pension is diminished one-half if she is more than twenty years younger than her deceased husband, or if her husband was over fifty-five years of age at the time of their marriage.

The law of the German Empire requiring certain classes of workmen to be insured against the incapacity of old age, or a broken down constitution (*Invaliditäts-und Altersversicherung*) was a supplementary act to the series of government measures for the protection of workmen. It was passed in June, 1889, not without much opposition and only through the energetic and determined efforts of Bismarck, but did not go into effect until January 1, 1891. It applies to all workmen and officials working for wages, or salary not exceeding $500, and requires them to be insured either in private corporations under governmental supervision or in district associations to be organized under the provisions of the bill. The insured receives a benefit (1) Without respect to age when he meets with an accident, unpremeditated on his part, if he has paid fees in such an association 235 weeks (five years of forty-seven weeks each); (2) When he has reached his seventy-first year, provided he has paid fees for 1410 weeks (thirty years of forty-seven weeks each). The fees and benefits are in proportion to the wages of the respective members. Wage earners are divided into four classes (1) Wages up to $87.50 a year; (2) Wages from $87.50

to $137.50; (3) Wages from $137.50 to $212.50; (4) Over $212.50. The fees are for the first class three and one-half cents a week; second class, five cents; third class, six cents; fourth class, seven and a half cents per week. In addition to these fees the respective employers must pay an amount equal to one-half the fees paid by their employés. The benefit for invalids starts with a fixed amount for all of $27.50, of which the German Empire pays $12.50; the benefit is then increased according to the amount of assessment fees paid in by the respective individuals. Thus for each week of fees paid in the four classes the amount is increased one-half cent, one and one-half cents, two cents and three cents respectively; as a practical example, a man of the first class who had paid fees five years and became an invalid would receive a yearly benefit of $28.68 ($27.50+5×47 [paying weeks] ×.005 [cents]=$28.675) and the same if he had paid fees fifty years would receive $39.25 ($27.50+50×47×.005 =39.75). The old age benefit on the other hand starts with $12.50 as a basis for all classes, paid in full by the government, and then adds one cent, one and one-half cents, two cents, two and one-half cents for the four classes respectively for each week of dues paid. Thus, a man of the first class who had attained the required age of seventy-one would receive a yearly benefit of $26.10; of the second class, $33.65; of the third class, $40.70; of the fourth class, $47.75 ($12.50 +1410 [weeks]×.025=$47.75).

The respective laws conflicted with the special funds and extra provisions made at the Krupp Works so as to place a sort of premium on old age, incapacity, etc. It became necessary to insert the provision in the pension rules that whenever through rights in several of these funds, an employé should receive a total sum more than seventy-five per cent. of his former wages as a pension, the separate amounts should be proportionately cut down so that the sum would equal that amount. The total sum paid by the Krupps for pension purposes is $60,000 a year, of which $2500 is paid under the provisions of the Imperial Insurance Law just mentioned.

Under all the foregoing provisions, officials and men with salaries of *over* $500 a year are not provided for under pension laws and regulations. The Krupps, therefore, established in June, 1890, a pension fund for officers and endowed the same with a gift of $125,000. All employés of the works with salaries over $500 and under $2500 are eligible to membership.

Two other funds, partially of a pension character, were established by Mr. F. A. Krupp upon the death of his father in 1887, and are deserving of mention. One was a gift of $250,000, the interest of which is to be administered and used by the directors of the other pension funds for the benefit of those who may need pensions, but through some technicalities may not be entitled to them through the regular channels, and secondly, for those whose regular pensions may not be sufficient to prevent want and suffering. The other was a gift of $125,000 to the city of Essen, to be managed by a board of nine appointed by the mayor of the city, but to include four persons named by the owner of the Krupp Works. The interest of this fund is intended to be used for the material and moral improvement of the lower classes in Essen and at present is being devoted to building workingmen's dwellings, that being considered the most pressing necessity.

The building association idea was put in practice in 1889, when Mr. Krupp laid aside a capital of $125,000 to be used to encourage employés to build their own homes. This capital is loaned under certain conditions, at a moderate rate of interest, to those who desire to build homes. It is arranged so that the amounts borrowed can be paid back on the amortization plan in small monthly payments, and so that the total burden to the owner of the house will not be much greater than paying rent, and yet after a series of years he can own his home without incumbrance. The conditions for receiving such a loan are as follows:—(1.) The applicant must be earning a yearly wage of at least $750; (2.) He must have been employed in the service of the

foundry at least three years, and have a good record during that period; (3.) He must be married, and between twenty-five and fifty years of age; (4.) He must have served his first term of military service or be free from the same; (5.) He must be able to pay upon the house or ground at least $75.00 of his own money. The security taken is in the form of a first mortgage on ground and house. The rate of interest is three per cent., and the monthly payments so graded that the capital loaned will be paid back in twenty-five years. The full capital can be paid off by the borrower or be demanded by the firm on three months' notice; the firm, however, has expressly declared that it will make no use of this privilege on its part except in cases of absolute necessity or insolvency. The full capital is, however, due and to be paid whenever the house passes into the hands of another person or the borrower leaves the service of the firm of his own free will within the first ten years after the loan has been made. In the two years, 1889–'91, over seventy-five houses, in value from $250 to $3350, have been built upon this basis.

All that has been done in the line of savings banks and in the encouraging of saving, apart from efforts among school children, can be summed up in few words. First, the firm will take deposits which amount to at least $50.00 a month, and pay five per cent. interest on the same; secondly, the stamps (2½ cents in value) of the City Saving Fund are for sale at all the shops of the co-operative stores; cards with thirty blank spaces are furnished free, and when filled with stamps are received at these shops and exchanged at the Saving Bank for book accounts. This is simply a matter of convenience to bring the business of the City Saving Fund constantly to the attention of all the employés throughout the colonies.

With this summary of the efforts made by the Krupps, looking to the material welfare of their employés, we will glance briefly at those efforts along another line—that is, the training of the mental and moral life of their army of laborers.

(*B*) EDUCATIONAL WORK AT ESSEN.

In order to raise the standard of family life and to maintain efficiency and contentment among the employes, something more was needed than cheap, sanitary dwellings, and Mr. Krupp soon gave careful consideration to plans for educational advantages, especially for the children, and to schemes for providing amusement and recreation. It is not our purpose in this paper to discuss these plans fully, but rather for the sake of completeness to give a brief enumeration and summary of what has been done.

1. *The Firm's Common and Industrial Schools.*—The firm, owing to the overcrowding of the district schools, established private common schools, and now the larger part of the children in all the colonies receive their education in the firm's schools. There is a boys' and a girls' school, each with eight grades, with nineteen teachers in all. Half of them are Catholics and half Protestants. Instruction is free, and the entire cost of buildings, salaries, and administration, together with a school library and a botanical garden, is paid by the firm. In April, 1877, the school opened with 361 pupils, of whom seventy-five per cent. were Evangelical and twenty-five per cent. Catholics. In 1890 the total number was 1100.

The advanced schools in Essen and in Altendorf are partially supported by, and are, by special arrangement, open free to apprentices of the works. That in Altendorf has seven general evening classes and seven classes in drawing, with a total of twenty-two teachers and 300 pupils; and that in Essen has twenty-one classes, with forty-five teachers and 900 pupils. The instruction is elective, and courses in drawing, German, French, natural sciences, mathematics, mechanics, history, etc., are offered. A yearly school fee of $1.50 is charged in Altendorf, and of $4.50 in Essen. Over six hundred of the pupils in these schools belong to families connected with the Krupp works.

The industrial schools are divided into two classes—one for women and girls over fourteen years, and the other for

children. The first was started in 1875, and aims to fit women in all forms and branches of sewing and needlework, not only for the purposes of the home, but also to qualify them to earn a living. The courses are principally for persons connected with the families of the Krupp workmen, but small fees are charged as much as a proof of earnestness on the part of the pupils as to help pay the cost of maintaining the instruction. In 1890 there was an average of 186 pupils taking this work, about half of whom were in the sewing courses.

The industrial schools for children, three in number, are located in the different colonies. Here instruction in sewing, knitting and crocheting are given at hours that do not conflict with the regular daily schools. In 1890 over 2000 children received instruction in these schools, sixty-two per cent. of them in sewing, thirty per cent. in crocheting and eight per cent. in knitting. A fee of five cents a month is charged, but if a pupil remains fifteen months the full amount paid, seventy-five cents, is placed to the child's credit in the savings fund.

2. *Education of Apprentices and Girls in Housekeeping.*— The education of apprentices has received particular attention on the part of the firm, and has been especially remunerative in that some of the most capable men in the employ of the works have come from these ranks. In 1864 the firm had fifty-four apprentices, and in 1891 361, of whom the greater number were learning locksmithing, turning, theories of construction, masonry and carpentry. A contract in writing is made with each apprentice for four years, and he is then placed under the personal supervision of a higher official. Places as apprentices here are eagerly sought for, and applicants must have a certain measure of preliminary training. He must, while apprentice, take courses in the higher schools which are prescribed for him by his chief, so that on completing his term he has some theoretical knowledge of his specialty together with a thorough practical knowledge of the same, and a fair knowledge of at least

one trade kindred to his own. The apprentice does not pay anything for instruction, and, contrary to the rule in Germany, he receives small wages, varying from eighteen cents to sixty-three cents per day, according to efficiency. Half of these wages are not paid, except in cases of great need, until the end of the apprenticeship. In this way the apprentice has a little sum to begin on when starting for himself. The 103 apprentices who finished their course in 1890 received amounts varying from $25 to $310 and aggregating $16,000, or on the average $150 each. The value of the training that the apprentices receive compared with training elsewhere is highly prized by the older workmen, who make every effort to get these places for their sons.

A somewhat more exceptional institution of the same general character as that for the education of apprentices is the housekeeping school, where girls are thoroughly trained in everything that will make them practical wives and housekeepers. Twelve pupils are taken every two months and are kept for a four months' course. Thus the school has always twenty-four pupils. Instruction is given in the preparing of meals, in neatness and thrift, in the planning and keeping of provisions, in washing, darning and mending clothes, and in all forms of housework. The instruction is free, but a fee of $1.50 a month is charged to help pay for the cost of boarding the pupil. The pupils of this school cook and prepare dinners each day for a number of widowers and their children, who have no one to supply the same, and also meals at low prices in special cases when ordered for workmen whose wives may be sick, and for invalids and widows not able to cook for themselves. In this way the material used in the cooking school is well utilized, and often the cost partially covered.

3. *Humanitarian rules in factory work and assistance given for the maintenance of religious instruction and for charity work.*—On Sundays and legal holidays no work is done at the foundries except it be necessary repairs to machinery, furnaces, etc. Catholic employés have an hour's leave of

absence on their special church days in order to attend early morning mass. The length of the working day is from 6 a. m. to 6 p. m., with three different intervals of rest aggregating a minimum of two hours per day. Night and day work is so arranged that it is equally divided among all; the length of time for night work is from 6 p. m. to 4½ a. m., with a half-hour pause. Excluding pauses, therefore, the actual working time is ten hours a day; formerly it was eleven and one-half hours per day, and, including pauses, thirteen hours. Only since February, 1890, has work ceased at 6 p. m. instead of 7 p. m. Extra hours for repairs, etc., were formerly much more frequent than at present, but yet in 1890–'91 they were numerous enough to average one per day for each workman. Lateness in arriving at work is punished by a fine, and promptness, to the extent of only one lateness in a year, is rewarded by a small money payment added to the wages at the end of the year. About thirty-four per cent. of the employés are entitled to this reward each year. Women and children are not employed in the works. Two large eating halls with gardens have been constructed for the use of those men who find it too far to go home to dinner, or who may prefer to eat the dinner they bring at the works. At different places throughout the works coffee and rolls can be secured in the morning from five to six and a half o'clock, and in the afternoons from five and a half to seven, at nominal prices. In hot weather cold coffee and drinking water are given to the furnace laborers throughout the day. During the entire year certain classes of workmen such as smelters, hammersmiths, etc., whose work is exceedingly heavy and taxing, receive daily a gill of light rye whisky. During the year 1890–'91 the cost of furnishing coffee and whisky in this way was $7500. A large quantity of articles and clothes of various kinds for the protection of the men while at work, such as leather gloves, coats, waterproof coats, eye protectors, etc., in value to the amount of $17,000, were given out during the same year. Every protection possible to guard against accidents

from machinery has been made irrespective of cost. Regular subscriptions of money, ground and building materials for both the Catholic and Evangelical churches have been made on the part of the firm. The religious teaching, however, is left completely in the hands of the Catholic and Protestant clergymen, the salaries of several being paid by the Krupp firm. For the care of the sick, Evangelical and Catholic sisters have been supported, and workingmen's associations, libraries, kindergarten schools and various other forms of work affecting the laboring people have been done, in part, or at the sole cost of the firm, which has publicly announced itself willing to materially assist any and every practicable movement and effort on the part of third parties to improve the moral, physical and intellectual condition of their employés.

In conclusion, we desire to repeat the statement that Mr. Krupp has devised and maintained the projects above described not merely, nor even for the most part, as a philanthropic movement. He does not consider the money that he has laid out in this way, with the exception, perhaps, of a few side issues, as in any sense a charity, but as a part of the running cost of his establishment, and a part that has brought him in as large a return in money as any other. In a large industrial establishment like the Krupp Steel Works, where a world-wide reputation has been won for a certain quality of work, it is of the utmost importance that a steady, contented body of workmen, the *personnel* of which changes as little as possible, be employed. Add to these general conditions the fact that an ever-increasing number of men are needed, and that there are certain business secrets to be guarded, and the imperative necessity of social work at Essen is at once evident. The Krupp firm considers that it has been able, through its social work, to so fully centre the interests of its employés in the neighborhood in which they live, and so unite them with the interests of the firm, that they have exhibited less desire to change employment, have been less affected by labor disturbances in other parts of the

country, and have been held at lower wages than would have otherwise been possible. Herein consist the advantages and the money return.

It is not our purpose here to examine into these results from the standpoint of the Krupp firm, nor would such examination have much value for conditions in other countries. We have attempted merely a description of the various plans in operation at Essen, and if this has been satisfactorily given, the adoption or advocacy of similar efforts under the entirely different economic and industrial conditions in America must be considered solely on the basis of American experience. These efforts on German soil and under German conditions can only have an historical interest for the student of labor movements in general, and can, at most, only be of suggestive value to the practical employer of labor in America.

SAMUEL M. LINDSAY.

Berlin.

MISCELLANY.

The American Social Science Association.

The American Social Science Association began its twenty-eighth annual meeting at Saratoga Springs, Monday evening, August 29, 1892. The following was the program for the meeting:

Monday, August 29.

8 P. M. The Opening Address by the President, H. L. Wayland, D. D., of Philadelphia, on *Has the State Abdicated.*

9 P. M. A Paper on *Mental and Moral Contagions,* by Rev. J. M. Buckley, D. D., of New York.

Tuesday, August 30.

Department of Education.

9.30 A. M. Remarks by the Chairman, Merrill E. Gates, LL. D., President of Amherst College.

10 A. M. Report of the Secretary, Dr. Louise Fiske Bryson, of New York, on *Education as a Therapeutic Measure.*

11 A. M. A Paper by Miss C. M. Hewins, of the Hartford Library, Connecticut, on *Public Libraries as a Factor in Education.*

11.30 A. M. A Paper on the *Educational Value of Modern Economics,* by Starr Hoyt Nichols, Esq., of New York.

12 M. A Paper on *Art Education in American Life,* by Myra B. Martin, of New York.

8 P. M. The Annual Election of Officers. [The officers of the past year were, in the main, re-elected.]

8.30 P.M. Report of Secretary F. B. Sanborn, on *Progress of Social Science in XIX. Century.*

Wednesday, August 31.

Department of Health.

9 A. M. Remarks by the Chairman of the Department, Frederick Peterson, M. D., of New York.

9.30 A. M. A Report by the Secretary of the Department, W. D. Granger, M. D., on the *Work of the Health Department since its Organization.*

10 A. M. A Paper by Matthew D. Field, M. D., of New York, on *The Examination and Commitment of the Public Insane in New York City.*

10.30 A. M. A Paper by RALPH L. PARSONS, M. D., of Sing Sing, N. Y., on *Voluntary Commitment of the Insane to Asylums.*

11 A. M. Discussion of the preceding Papers.

12 M. A Paper by HENRY LING TAYLOR, M. D., of New York, on *American Children Hygienically Considered*, followed by debate.

8 P. M. An Address by W. W. KEEN, M. D., of Philadelphia, on *The Modern Surgery of the Brain.*

9 P. M. A Paper by FREDERICK PETERSON, M. D., of New York, on *The Old and the New Phrenology.*

THURSDAY, SEPTEMBER 1.

Department of Jurisprudence.

10 A. M. Remarks by the Chairman of the Department, Prof. FRANCIS WAYLAND, of New Haven, Conn.

A Paper on *The Ethics of Law*, by Hon. JOHN F. DILLON.

10.30 A. M. A Paper on *The Great Coal Combination*, by C. LA RUE MUNSON, Esq., of Williamsport, Pa.

12 M. A Paper on *Municipal Government*, by ALBERT SHAW, Ph. D., of New York.

12.30 P. M. A Paper on *County Jails as Reformatory Institutions*, by EDWARD B. MERRILL, Esq., of New York.

8 P. M. A Paper on *Crime and Penalty in the United States*, by Hon. ANDREW DICKSON WHITE, LL. D., of Ithaca, N. Y., read by Professor Wayland.

FRIDAY, SEPTEMBER 2.

Department of Social Economy.

9.30 A. M. Address by the Chairman of the Department, F. B. SANBORN, of Concord.

10 A. M. Report by the Secretary of the Department, on *The Sweating System*, by JOSEPH LEE, Esq., of Brookline, Mass.

11 A. M. A Paper on *The Sweating System in Massachusetts*, by H. G. WADLIN, Esq., Labor Commissioner of Massachusetts.

11.30 A. M. A Paper on *Conditions Observed by a Dispensary Physician in New York in Regard to the Sweating System*, by ANNIE S. DANIEL, M. D., of New York.

12 M. A Paper on *The Actual State of Tenements in Boston where Work is Carried on*, by WILLIAM F. HICKS, Esq., of the Boston Board of Health.

12.30 P. M. Discussion of the subject.

4 P. M. Papers on *The Sweating System in Europe*, by Rev. JOHN GRAHAM BROOKS, of Brockton, Mass., and on *Remedial Measures proposed in England by the House of Lords' Commission with their Results*, by Mr. DAVID F. SCHLOSS.

4.30 P. M. General Debate on the Sweating System in America and Europe.

8 P. M. An Address on *Architecture in Relation to Life*, by Mr. BARR FERREE, of New York.

(All of the above papers were read, except the opening address, by Professor Gates, on Tuesday morning, and the address by Professor Wayland on Thursday morning.)

The attendance was large on the opening evening, and was well sustained throughout; and weighed heavily in point of intelligence and influence. The opening address by the President, H. L. Wayland, was upon the subject "Has the State Abdicated?" The address adduced several of the evils under which individuals and the community suffer, and urged the duty of the State to do for individuals what they cannot possibly do for themselves. Some objections were considered, as that this is Paternalism and Socialism, and that it is interfering with the right of property. The speaker also hoped that the time would come when the Commonwealth of Nations would exercise supervision over the relations and actions of the several nations to each other.

Next following was an address by J. M. Buckley, D.D., editor of the *Christian Advocate*, upon "Mental and Moral Contagions."

The next morning was devoted to the Department of Education. Louise Fiske Bryson, M.D., of New York, read a paper on "Education in the Treatment of Nervous Girls." Her suggestions were applicable to the education of all girls, since they are all more or less disposed to an excess of nerves. Dr. Bryson takes the view that, while nervous diseases are increasing, insanity is not increasing. This view, which is opposed to the general belief, was later controverted by Mr. Sanborn.

Miss Hewins, of the Hartford Library (Conn.), read a paper on "Public Libraries as a Factor in Education," showing how a library wisely selected and skilfully managed may awaken a thirst for reading. Her view was corroborated by President G. W. Smith, LL.D., of Trinity College, Hartford, Conn., who gave facts showing how readers are educated *up*, and how persons who begin with rather sensational books may sometimes tire of them and want something better. Miss Hewins also showed how the love for history is increased by pictures, photographs and objects of historical interest.

Perhaps the most attractive paper of the morning was on "Art Education in American Life," by Miss Martin, New York. In reply to questions, Miss Martin said that the introduction of art study into the common schools would not interfere with other branches of study, but would rather make all branches more attractive, and, practically, more easy.

Wednesday morning was given to Health. A most gratifying exhibit was made by Dr. Field, of "The Care of the Public Insane in New York City." It was a gratifying surprise to know that in the metropolis which we associate with the extreme of misgovernment, one department seems to have escaped the wide-spreading contagion.

In the discussion which sprang up Mr. Sanborn said that, as the result of many years' knowledge of this subject, he was satisfied that the number of insane is increasing. It is often thought that the apparent increase is owing to the fact that a different standard of insanity is applied, and what is not regarded as insanity at one time is at another. But in the State of Massachusetts, during ten years, with no change in the standard, insanity increased far beyond the increase in population. Contrary to the general impression, the cases of insanity were not chiefly furnished by the wives and daughters of farmers, but rather the largest amount of insanity was found among the young women descended from immigrants, in the first or second generation, working in mills and factories. In the evening Dr. Keen gave a lecture upon "Modern Surgery of the Brain." He exhibited the manner in which the brain functions are located, showing how the brain has been mapped out, and how the seat of impulse going to various parts of the body has been fixed, and how we are able to trace the exact sources of disorders of the brain, and to operate, frequently to the great relief of the patient, and sometimes to his entire recovery.

Thursday was Jurisprudence day. Judge Dillon read a very able paper upon "The Ethics of Law," and was followed by Mr. C. La Rue Munson upon the "Reading Lease." The speaker championed the "combine" as beneficial to the road, to the mine-owners, to the miners and to the consumer. A plain man who was present offered some remarks. If he had, however, had at hand the text of the decision of the Chancellor of New Jersey in the matter of the Reading leases, there would have been little occasion to add a word.

A very interesting paper was by Mr. Edward B. Merrill on "County Jails as Reformatory Institutions." The title was perhaps misleading, for he showed that "reformatory" is just what they are *not*. The statements which he made as to the criminal mismanagement of the county jails were appalling. They are largely under the conduct of ignorance and selfishness; very often they are made the sport of the politician; persons are appointed to the care of the jails simply because they or their friends have been active workers in the ward or county. The jails and prisons should be totally separated from politics; the young offender should be scrupulously separated from the hardened criminal; there should be employment for all; and in each State all penal institutions should be under one central

authority; the jails in a group of counties should be consolidated into one, lessening of expense, and allowing of reformatory methods which cannot be carried out in the county jail.

The most memorable feature of the day was a paper in the evening on "The Murder Problem in the United States," by Hon. Andrew D. White, LL. D. (now Minister to Russia), read in his absence by Prof. Wayland. From a report on crime made to the Census Bureau, by Dr. Wines, it appears that the murders in the United States during the past year numbered 7386; this is more than double the number, in proportion to the population, reported in the most criminal countries of Europe, including Southern Italy and Corsica. The number of murders is increasing out of proportion to the increase of population. Only one of about fifty murderers is punished.

Dr. White, however, thought this enumeration of murders too small. The impunity of murderers and the consequent increase of murders is largely the result of false sympathy, of the absence of righteous indignation against crime. Various provisions of law, which were necessary to protect the innocent in the Middle Ages, have now become safeguards to criminals, and make legal proceedings a game, with the chances all in favor of the criminal. When a man is convicted of murder, on the clearest evidence, after a most patient trial, and when every legal expedient has been exhausted, and the gallows is in sight, there is a morbid feeling which leads citizens, often clergymen, to appeal to the governor for pardon or commutation. These efforts are too often successful.

Another cause of the prevalence of murder is the criminal education of children through newspapers and sensational books. In a school in Michigan, a ten-year-old pupil, whom the teacher was correcting, drew a pistol; it appeared that thirteen of the children owned pistols, and that three were constantly armed. In many of the jails and prisons, young culprits are associated with hardened criminals.

This impunity of criminals leads to lynching. During the last year, there were 195 cases of lynching, an increase of sixty-eight over the previous year.

Among the remedies suggested are instruction in righteousness in our schools and churches, a healthy public sentiment, the suppression of books and newspapers which incite to crime, and of resorts known to contribute to criminality. The law should provide for the permanent confinement of habitual criminals, and for intermediate sentences for younger criminals. There should be a restraint upon the pardoning power; trials should be made speedy and effective.

In a large section of the country, white men are very rarely punished. Within a radius of two miles from a little town in Tennessee

over twenty murders took place within three years by white men, and not one of the murderers was punished. The effect of punishment is seen in the history of the Mollie Maguire murders in the coal regions. In the time of Governor Dix and Governor Cornell, of New York, pardons were refused, and murders were very sensibly diminished.

In conclusion, Dr. White says, in substance: There are doomed to death in the United States, during the year which begins this day, over 7000 people, who will have no opportunity to take leave of those they love, or to make provision for those dependent on them. These 7000 persons, guilty of no crime, will be put to death without regard to the life-long agony and perhaps destitution of their families. Two-thirds of these murders will be due to the maudlin sentiment of the community (miscalled mercy and sympathy) and to the encouragement given to murder by judges, juries, governors, and legislators. When people oppose severity in dealing with crime, let them think of the cruelty of the prevailing system, and of the thousands whom every year it dooms to death.

Friday morning and afternoon were given to various aspects of the "Sweating System" in this country and in Europe. Somewhat to my surprise, the testimony was to the effect that the profits of the employer are less than is usually supposed. It was also said that the danger of contagion from clothing made in unwholesome surroundings is not serious, but the poverty and sufferings of those who do this work are most distressing. Annie S. Daniel, M. D., a dispensary physician in New York, gave some alarming figures as to the crowded condition of the houses (more often of the rooms) devoted to this industry.

The Social Science Association is not a large or pretentious body; it has no political influence, and yet it has been the means of achieving great changes and great reforms. Many an idea which has now become accepted and dominant first saw the light in its meetings. Nor is there any reason to suppose that its sphere of influence is lessened. I sincerely wish that there were ten times as many members, and that its meetings were ten times more largely attended.

The chief drawback to the success of the meeting this year was that so many of the speakers were inaudible; this was the fault partly of the hall and partly of the speakers, who, from want of practice or from lack of voice, largely failed to make themselves heard. A new building is going up in Saratoga intended for conventions, with small rooms adapted to just such meetings as this.

H. L. WAYLAND.

Philadelphia

AMERICAN ECONOMIC ASSOCIATION.

On the twenty-third of August, the American Economic Association held its fifth annual session at Chautauqua, New York. The attendance was not perhaps so large as at some former meetings, but it was equally representative. The program which was carried out was varied and attractive, and the discussions were of great suggestive value.

An excellent feature of the meeting was the fact that the program for each session turned upon some one question or some one branch of economic investigation. This result was accomplished by placing the conduct of the meetings in the hands of the respective standing committees.

The program in detail was as follows:

TUESDAY, AUGUST 23. EVENING SESSION. 8 P. M.

1. Address of Welcome by an officer of the Chautauqua Association.

2. Response and Annual Address, by Professor WILLIAM W. FOLWELL, Second Vice-President of the American Economic Association.

WEDNESDAY, AUGUST 24. MORNING SESSION. 10 A. M.

In charge of the Committee on Public Finance.

1. Paper on *Taxation of Personal Property and the Farmer*, by President S. M. DICK.

2. Paper on *A New Canon of Taxation*, by Professor E. A. ROSS.

3. Paper on *The Municipal Ownership of Water Works*, by M. N. BAKER, Esq.

4. Paper on *Theory of Progressive Taxation*, by Professor EDWIN R. A. SELIGMAN.

EVENING SESSION. 8 P. M.

1. Paper on *The Farmers' Movement in the Southern States*, by President J. F. CROWELL.

2. Paper on *The Discontent of the Farmer*, by Professor E. W. BEMIS.

3. Paper on *The Farmers' Movement in the Northern States*, by Professor C. S. WALKER.

THURSDAY, AUGUST 25. MORNING SESSION. 10 A. M.

In charge of the Committee on Economic Theory.

1. Address on *The Interpretation of Ricardo*, by Professor S. N. PATTEN.

2. Address on *The Ultimate Standard of Value*, by Professor J. B. CLARK.

3. Address on *Value*, by Professor F. H. GIDDINGS.

AFTERNOON SESSION. 4 P. M.

1. Address on *Value and Distribution as Treated by Professor Marshall*, by Professor F. W. TAUSSIG.

2. Paper on *Diminishing Returns and Distribution*, by Professor J. R. COMMONS.

3. Paper in abstract, on *The Cincinnati Southern Railway; a Study in Municipal Activity*, by Mr. J. H. HOLLANDER.

4. Paper on *The Laborers' Place in the Industrial System, Economically and Ethically Considered*, by Professor C. A. TUTTLE.

EVENING SESSION. 8 P. M.

In charge of the Committee on Statistics.

1. Address by the Chairman of the Committee, Hon. CARROLL D. WRIGHT.

2. Address on *The Measurement of Price Movements*, by Professor R. P. FALKNER.

3. Paper on *Statistics of Private Indebtedness*, by G. K. HOLMES, Esq.

FRIDAY, AUGUST 26. MORNING SESSION. 10 A. M.

1. Paper on *The Endowment Craze in Massachusetts*, by FRANK P. BENNETT, Esq.

2. Paper on *Architectural Problems in Great Cities*, by BARR FERREE, Esq.

3. Paper on *Public versus Private Initiative in Southeastern Europe*, by Dr. ALBERT SHAW.

The program was carried out as given, with the exception of the papers by Mr. Baker, President Crowell, Professor Tuttle, and Dr. Shaw, and the address of Mr. Wright.

The meeting was presided over by Professor W. W. Folwell, of the University of Minnesota. In his opening address Professor Folwell dwelt upon the broader sympathies which have found their way into economic discussion of the present day as compared with former periods. There has been, as he showed, a more generous recognition of the part which organized society plays in our industrial system. He urged that additional emphasis be placed upon this fact, and suggested that courses of instruction might profitably be devised in what he termed "public economy," which should be a description of the various activities of the State and their relation to social, financial and economic questions. He dwelt upon the growth of economic study into the facts, and hoped that theory would reap a decided profit from the increased scope and accuracy of statistical investigation.

The first business session of the association was devoted to the subject of taxation. President Dick, of Missouri Wesleyan College, in his paper on "Taxation of Personal Property," argued for a repeal of personal property taxes on the ground that a more equitable distribution of tax burdens between city and country districts would

be brought about by the taxation of land alone. The paper of Professor Ross, "A New Canon of Taxation," was more general in its scope. It was an examination into the results of taxation which are at the same time productive and prohibitive; he showed that every tax carries with it a tendency to suppress the object of taxation. Having thoroughly in view the workings of this law, any tax should be judged by the sum total of its productive and its prohibitive effects. The paper on "Progressive Taxation," by Professor Seligman, discussed the limits within which the principle of progression was applicable to taxes, with special reference to American conditions.

The evening session was devoted to discontent of the farming population, and a paper which gave rise to a very interesting discussion was read by Professor C. S. Walker, from Amherst, Mass., on "The Farmers' Movement in the Northern States." Unfortunately Professor Bemis was unable to read his paper on the "Discontent of the Farmer" at this session. It was given a place during another meeting, but the time allotted to it was necessarily brief.

The following day was devoted in the main to economic theory, and papers were read by Professor Commons, of Indiana University, on distribution, and addresses were made by Professor Taussig upon Marshall's views of value; Professor Patten upon the interpretation of Ricardo, by Professor Clark and Professor Giddings on value. These addresses cannot be summarized here, because of their theoretical character; but the list of names is a guarantee of the excellence of the discussions which took place and the fruitfulness of the suggestions which were made.

In the evening session of the same day Mr. G. K. Holmes explained the mortgage statistics which had been collected by the government in connection with the eleventh census. Professor Falkner, in his address upon the measurement of price movements, gave an account of the statistical work conducted by the Senate Committee on Finance.

The closing session was devoted to an account by Mr. F. P. Bennett, of Boston, of the "Endowment Associations of Massachusetts." He gave an extremely interesting and instructive account of the growth of these institutions and of the methods which have been employed to delude the public for the purpose of securing members. Mr. Bennett has been an active champion of the movement to suppress these institutions in Massachusetts, and from his own personal experience was able to present a most instructive picture of human credulity and cupidity, as it was exemplified in the history of these organizations. Mr. Barr Ferree closed with a paper upon "Architectural Problems of Great Cities."

Several meetings of the council were held during the sessions. The most important business which came before them was the election of officers. President F. A. Walker, who had since the foundation of the organization been its honored president, was relieved from the duties of that office in accordance with his oft expressed wish, which the association has granted only with reluctance. Ever since the association was organized in 1885, Prof. Richard T. Ely has been its secretary. The success of the association has been due, in large measure, to Prof. Ely's unremitting energy in its behalf. He declined re-election, as he felt that he could not, at his new post in Madison, care for the association's interests so effectively as at Baltimore. The following officers were elected: President, Professor Charles F. Dunbar, Harvard University; First Vice-President, Professor Richard T. Ely, University of Wisconsin; Second Vice-President, Professor Henry W. Farnam, Yale University; Third Vice-President, Professor Simon N. Patten, University of Pennsylvania; Secretary, Professor Edward A. Ross, Cornell University; Treasurer, Mr. Frederick B. Hawley, New York.

The following gentlemen were elected members of the council: Professor J. H. Gray, Evanston; Dr. J. Q. Adams, Philadelphia; Professor W. A. Scott, Madison; Professor J. W. Black, Oberlin; Professor L. M. Keasbey, Boulder, Colo.; Professor E. A. Ross, Ithaca; Prof. W. F. Willcox, Ithaca, and Prof. Sidney Sherwood, Baltimore.

In addition to the gentlemen who took part in the program, the following members were present at the meeting:—Professor Richard T. Ely, University of Wisconsin; Professor Henry W. Farnam, Yale University; Professor Geo. W. Knight, University of Ohio; Professors R. D. Sheppard and John H. Gray, of Northwestern University; Professor Lester F. Ward, Washington; President Scovil, Wooster University; Hon. Jos. D. Weeks, Pittsburgh; Professor Chas. H. Haskins, University of Wisconsin; Professor Lindley M. Keasbey, University of Colorado; Rev. Dr. Washington Gladden, Columbus, O.; Dr. John C. Schwab, Yale University; Dr. John Q. Adams, University of Pennsylvania; Professor W. A. Scott, University of Wisconsin; Professor J. W. Black, Oberlin College; Mr. Isodor Loeb, University of Missouri, and Mr. D. I. Green, Baltimore.

Before adjourning, the council decided that the next meeting be held in Chicago, in 1893, as nearly as possible at the date chosen by the International Statistical Institute.

R. P. FALKNER.

University of Pennsylvania.

PERSONAL NOTES.

AMERICA.

College of New Jersey.—Dr. Winthrop M. Daniels has been appointed Assistant Professor of Political Economy at Princeton. Professor Daniels* occupied last year a position as Instructor at Wesleyan University.

Cornell University.—Dr. Charles Henry Hull has been appointed Instructor in Political Institutions at Cornell University. Dr. Hull was born September 29, 1864, at Ithaca, N. Y., and was educated at Cornell University, taking Ph. B. in the course of History and Political Science in June, 1886. He remained as a graduate student at Cornell, occupying at the same time a post in the library, until 1890. In that year he went to Germany and studied public law and economics at Göttingen, Halle, and Berlin, a semester at each University. In 1892 he took the degree of Ph. D. at Halle. He has published "*Die deutsche Reichspacketpost*," Jena, 1892.

Oberlin College.—Dr. J. William Black has been appointed Associate Professor of Political Economy at Oberlin College. Dr. Black was born in Baltimore, January 31, 1866. He is a graduate of Johns Hopkins, where in 1888 he took the degree of A. B., and in 1891 that of Ph. D. During the past year 1891–92 he has occupied the position of Professor of History and Economics at Georgetown College, Georgetown, Ky. He has published "*Maryland's Attitude in the Struggle for Canada*" (Johns Hopkins Studies, Tenth Series, No. VII).

University of Colorado.—Dr. Lindley M. Keasbey has been appointed Professor of Political Economy and History and has entered upon his duties. Dr. Keasbey was born in 1867. He studied at Harvard, where he took the degree of A. B. in 1888. At Columbia he pursued post-graduate studies, and took the degrees of A. M. 1889 and Ph. D. 1890. The last two years he has studied at Strassburg, where he secured, 1892, the degree of R. P. D. (*rerum politicarum doctor*) *Summa cum laude*. Professor Keasbey's doctor dissertation is about to be issued as Vol. xi. of the Strassburg Seminar Series. It is entitled "*Das Nicaraguische Kanalprojekt*."

University of Pennsylvania.—Dr. John Quincy Adams has been elected Instructor of Political Science in the Wharton School of

* See ANNALS, November, 1891, Vol. ii., 369.

Finance and Economy. He was born January 17, 1857, at Harresville, New York. Removing to Illinois in 1873, he studied at Rock River Seminary and at Wheaton College, teaching, at this time, several terms in the public schools. Later he taught seven years in the schools of Cook County, Illinois, the last five as principal of schools at Des Plaines. From 1887–89 he studied at Northwestern University, receiving the degree of B. S. in 1889. He thereupon went to Europe and studied political economy three years at Paris, Vienna, Berlin and Halle, receiving the degree of Ph. D. at Halle in 1892. His thesis was upon the House Tax of Austria, with a comparison of the same with that of Prussia, Italy and France.

Dr. Joseph Adna Hill has been appointed Lecturer on Finance in the Wharton School of Finance and Economy. He was born May 5, 1860, at Stewartstown, N. H., and prepared for Harvard at the Exeter Academy. In 1885 he took his A. B. degree at Harvard, and taught school in the following year. He pursued graduate studies in economics 1886–87 at Johns Hopkins; 1887–89 at Harvard, taking A. M. degree 1888; and 1889–92 at Berlin. In 1892 he took the degree of Ph. D. at Halle. He has written "*The Prussian Income Tax*" (*Quarterly Journal of Economics*).

Wesleyan University.—Mr. Willard C. Fisher has been appointed Associate Professor of Economics and Social Science at Wesleyan University, Middletown, Conn. He was born in Westerlo, N. Y., March 4, 1865, and studied in Cornell University, where he graduated (A. B.) in 1888. He was Fellow in History and Political Science at Cornell, 1888–89, and Principal of the Union School at Marathon, N. Y., 1889–90. In 1890–91, in the absence of Professor Gardiner, he had charge as Instructor of the work in Economics at Brown University. During the past year he was Fellow in Economics at Cornell, 1891–92. Professor Fisher has published "*American Trade Regulations before 1789.*" (Papers of American Historical Association.)

FRANCE.

Paris.—The eminent publicist and economist, Henri Joseph Leon Baudrillart, died during the past summer at Paris. Born at Paris, November 28, 1821, he was educated there, and devoted himself in the first instance to philosophic studies. His work on Bodin obtained for him the *Prix Montyon*. In 1852 he began his work at the Collège de France as substitute for Chevalier, and in 1866 he was called to the chair of the History of Political Economy, which had been established especially for him. In 1855 he succeeded Garnier as editor of the *Journal des Économistes*. He was actively engaged in editorial

work for the *Journal des Debats.* In 1869 he became general inspector of libraries. In 1877 he was placed in charge of an investigation into the condition of the agricultural population of France, conducted by the Academy of Moral and Political Sciences, of which he had been a member since 1863. His reports are among his most noted publications. In 1881 he was made Professor of Political Economy at the École des Ponts et Chaussées. The following list contains his principal publications :—

"*Discours sur Voltaire.*" Paris, Lavitte, 1844.

"*Turgot.*" Revue des deux Mondes, 1844.

"*Jean Bodin et son temps.*" Paris, Guillaumin, 1853.

"*Manuel d'économie politique.*" First ed., Paris, Guillaumin, 1857. Fifth ed. in 1885.

"*Études de philosophie morale et d'économie politique.*" Paris, Guillaumin, 1858.

"*Des rapports de la morale et d'économie politique.*" Paris, Guillaumin, 1860. Second ed., revised and enlarged, with the title "*Philosophie de l'économie politique,*" 1883.

"*Publicistes modernes.*" Paris, Didier. First ed., 1862. Second ed., 1863.

"*La liberté de travail, l'association et la Democratie.*" Paris, Guillaumin, 1865.

"*Conferences populaires faites à l'asile de Vincennes.*" Paris, Hachette, 1866.

'*Éléments d'économie rurale, industrielle et commerciale.*" Paris, Delagrave, 1868.

"*Économie politique populaire.*" Paris, Hachette, 1869.

"*De l'enseignement moral et industriel en France et a l'étranger.*" Paris, Hachette, 1873.

"*La famille et l'education en France.*" Paris, Didier, 1874.

"*Histoire du luxe privé et public depuis l'antiqueté jusqu' a nos jours.*" 4 vols. Paris, Hachette, 1878–80.

"*Les populations agricoles de la France, La Normandie—passé et present.*" Paris, Hachette, 1880.

"*Lectures choisies d'économie politique.*" Paris, Guillaumin, 1883.

"*Manuel d'education morale et d'instruction civique.*" Paris, Lecene et Oudin, 1885.

"*Les populations agricoles de la France. Normandie et Bretagne.*" Paris, Hachette, 1885.

The distinguished economist, Jean Gustav Courcelle-Seneuil, died at Paris on the twenty-ninth of June, 1892, at an advanced age. He was born at Seneuil (Dordogne) on the twenty-second of December,

1813. He began life as a journalist, and wrote for *La Revue Republicaine* and other papers of a like character. In 1842 he gave up journalism to take charge of a manufacturing enterprise in his native district. After the revolution of 1848, he took up his residence again in Paris, and devoted himself to journalism and the study of economic problems, in which his writings had already won for him a distinguished place. The *coup d'etat* silenced the utterances of the republican journalist, and in 1855 he went to Santiago de Chile as Professor of Political Economy. In 1863 he returned to Paris and journalism. In 1879 he was appointed member of the Conseil d'Etat. In that capacity he made several important reports, such as those on bankruptcy, the conservation of historic and artistic memorials, and on the protection of abandoned and abused children. In 1882 he was made a member of the Institute. His literary activity covered more than half a century, and was continuous and prolific. He was a contributor to the Dictionnaire l'Économie politique, the *Journal des Économistes*, and other journals. His other publications were as follows:—

"*Lettres à Édouard sur les révolutions.*" 1833.

"*Le Crédit et la Banque, Étude sur les réformes à introduire dans l'organisation de la Banque de France et des banques départemenatles,*" contenant un exposé de la constitution des banques américaines, écossaises, ánglaises et francaises. Pagnerre, 1840.

"*Traité theorique et pratique d'économie politique.*" Hachette, 1858–59.

"*Études sur la science sociale.*" Guillaumin, 1862.

"*Traite théorique et practique des opérations de banque.*" Guillaumin, 1867.

"*Lecons élémentaires d'économie politique.*"

"*Traités sommaire d'économie politique.*"

"*Manuel des affaires, ou Traité théorique et pratique des entreprises industrielles, commerciales et agricoles.*" Guillaumin, 1856.

"*Traité théorique et pratique d'économie politique.*" Fourth ed., 1860.

"*Agression de l'Espagne contre Chili.*" Dentu, 1866.

"*Cours de comptabilité.*" Hachette, 4 vols., 1867.

"*La Banque libre, exposé des functions du commerce de banque et de leur application à l'agriculture,*" suite de divers ecrits de controverse sur la liberté des banques. Guillaumin, 1867.

"*Liberté et socialisme, ou discussion sur le principles de l'organisation du travail industriel.*" 1868.

"*L'heritage de la Révolution.*" Questions constitutionnelles. 1871.

"*Précis de morale rationnelle.*" 1875.

"*Protection et libre-échange.*" 1879.

"*Préparation à l'étude du droit. Étude des principes.*" Guillaumin, 1887.

"*Adam Smith.*" 1888.

"*La Societé moderne;*" étude morale et politique. 1892.

GERMANY.

Berlin.—Agricultural Institute. Dr. R. Kaerger has been appointed Privatdozent for Economics, with especial reference to agriculture and colonies. He was born 1858 at Breslau, and studied languistics at Leipzig 1877, and law at Breslau, Heidelberg, Berlin and Strassburg 1878–81. At the last named place he took his Doctor degree 1881. He spent some time as referendar, and in 1885 had the management of a large estate in Silesia. In 1886 he became interested in colonial questions, and spent two years in Brazil. On his return he studied at the Agricultural Institute in Berlin, and the year 1890–91 he spent in Africa as a director of the German East African Commercial Company. Late in 1891 he became Privatdozent as stated by a direct ministerial order. His publications include:

"*Zwangsrechte.*" Berlin, 1882.

"*Die Theorie über die juristische Natur des Urheberrechtes.* Berlin, 1882.

"*Die Lage der Hausweber in Weilerthal.*" Strassburg, 1886.

"*Brasilianische Wirthschaftsbilder.*" Berlin, 1889.

"*Die Sachsengängerei.*" Berlin, 1890.

"*Tangaland und die Kolonisation Deutsch-Ostafrikas.*" Berlin, 1892.

Leipzig.—Professor Karl Bücher, formerly of the Technical School at Karlsruhe, enters with the present semester on his duties as Ordinary Professor of Statistics and Political Economy at Leipzig.*

Munich.—Dr. Walther Lotz, Honorary Professor of Political Economy at Munich, has recently been appointed Extraordinary Professor.†

Dr. Johann Alfons Renatus von Helferich, Emeritus Professor of Political Economy, died at Munich, June 8, 1892. He was born at Neuchâtel, Switzerland, 1817. He prepared for the University in Bavaria, and studied at Erlangen, and at Munich under v. Hermann. He became Privatdozent at Freiburg in 1843, Extraordinary Professor 1844, and Ordinary Professor 1847. In 1849 he was called to Tübingen; in 1860 to Göttingen; and 1869 to Munich. Here he continued his work until the latter part of 1890, when he retired. He

* See ANNALS, October, 1890, Vol. i., p. 500.

† See ANNALS, September, 1891, Vol. ii., p. 257.

was a constant contributor to the *Zeitschrift für die gesammte Staatswissenschaft*, and his published writings are to be found mainly in the pages of this journal and in other periodicals. They are devoted mainly to questions of taxation, currency and prices. We have also from his pen:

"*Von den periodischen Schwankungen im Werthe der edlen Metalle von der Entdeckung Amerika's bis zum Jahr 1830.*" Nürnberg, 1843.

BOOK REVIEWS.

The Financial History of Massachusetts from the Organization of the Massachusetts Bay Company to the American Revolution. By CHAS. H. A. DOUGLAS, Ph. D., Columbia College. Studies in History, Economics, and Public Law. Vol. i., No. 4. Pp. 148. New York, 1892.

In connection with the recent appearance of Prof. Bastable's "Public Finance," special attention has been called to the fact that this is the first English text-book on that subject. The reason why we have had, heretofore, no general English treatise on the subject of finance is a plain one. It is simply that the material for the study of the English and American systems of finance has never been made available to the general student. This is more peculiarly true of America. To be sure, the material for the study of Federal finance has been available to all, and has, in consequence, received considerable attention. But it is the finances of the States and of their subdivisions that come closest home to our people. And of these, only two phases have as yet been subjected to scientific discussion: the first of these is that of the circulating medium and of banking, and the second the history of State and local indebtedness, for which the tenth census provided the material. The great field of State and local taxation, however, has as yet been scarcely more than opened up. Prof. Ely's book, admirable as it is, could not, owing to the difficulty of getting at the sources, be made complete. Dr. Patten's monograph, "*Das Finanzwesen der Staaten und Städte der Nord-americanischen Union*," suffered even more from the same cause. The necessary material, though most of it has been preserved and in many cases published by the antiquarian spirit of some local historical society or other, is scattered in different parts of the Union. It can be made available for the general student of finance only by a special investigation of the original records on the spot. This kind of work has been done, and done well, by Dr. Schwab for New York, and Worthington for Pennsylvania, while some of the papers of the Johns Hopkins Studies also devote a few pages to questions of local finance. The present essay by Dr. Douglas continues this line of investigation for Massachusetts.

The painstaking thoroughness with which the author has investigated the original sources and sifted out from the mass of irrelevant material the facts immediately bearing on the subject in hand, leaves

nothing to be desired. We have here, apparently, everything the sources can tell us about the finances of the Colony and the Province of Massachusetts Bay. At first thought it might seem a serious omission that practically no attempt has been made to give numerical statements of the amount of the revenue, property, etc. But this is, perhaps, justified by the fragmentary nature and inaccuracy of the records. It is, however, much to be lamented that the same painstaking care shown in the collection of the material was not extended to the arrangement and presentation of the subject. The first general division of the essay treats of the finances of the colony, the second of the province. But the attempt to extend the chronological arrangement to the sub-heads results in the most bewildering confusion. Adding not a little to the confusion is the extremely involved literary style of the author, for which he himself finds it necessary to apologize in the preface.

We can enter but slightly into the analysis of the colonial and provincial finances. The germ from which the system of taxation sprang was the general property tax. In this respect the Massachusetts colonists differed materially from their Dutch neighbors in New York where the entire system is the outgrowth of the indirect taxes. The peculiarity of the assessment lies in the fixed rate (1 d. in 20 s.) which is never departed from, though it may be multiplied any number of times in any one year to cover the needs of that year. The officer for the collection of the taxes was at first the constable. The later development gave also boards of assessors and of equalization. The collection was complicated by payment in kind, which in the disordered state of the colonial circulation was practically unavoidable. Tax evasion was aided by negligent or incompetent officials, and to remedy this the Assembly was driven to the most desperate expedients. In addition to the property tax, poll taxes were regularly raised, the rate being fixed once for all as was the case with the property tax and reduplicated to meet necessities in the same manner.

Although the property and poll taxes were the principal sources of income, indirect taxes in the form of imposts and excises were also levied with considerable regularity, and are to be counted a part of the system from the first.

The subjects of circulating medium, of colonial indebtedness and colonial banks are but briefly summarized, these having been adequately presented by other writers. By far the most lucid part of the book is the author's discussion of the lotteries. The colonial fathers saw no inconsistency in repressing private lotteries as immoral and dangerous to the community, while at the same time they authorized the organization of public lotteries to aid the finances of the province

or of the town. The author shows that these lotteries, with some few notable exceptions, were not generally as productive as their promoters had hoped.

CARL C. PLEHN.

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Les Causes financières de la Révolution française. Par CHARLES GOMEL, Les Ministères de Turgot et de Necker. Pp. xxxi., 548. Paris: Guillaumin et Cie. 1892.

In order thoroughly to understand the Revolution and its work, it is now recognized on all hands that we must forget for a time the conditions of to-day and, as De Tocqueville has urged, *aller interroger dans son tombeau la France qui n'est plus.* The undertaking is beset with difficulties. The eighteenth century furnishes problems for the historian which can only be solved by the laborious methods incident to a study of the obscurest periods of the Middle Ages. Since De Tocqueville first attempted to "penetrate to the core of the Ancien Régime," a number of works have appeared which aimed to give a picture of the conditions immediately preceding the Revolution, and the interest in this period appears to be steadily increasing. No subject deserves more careful investigation than the old financial system of France, for here we find the best concrete expression both of the immediate and remote causes of the Revolution.

The volume before us is the first of two which the author designs as an introduction to a contemplated financial history of the Constituent Assembly. Distracted by a thousand pre-occupations, this body must necessarily have relied, in determining upon the reforms to be introduced, upon the sentiments of the public and the solutions of problems suggested in the preceding years. The history of their work is thus bound up most intimately with persons, writings and events of the past. "An impartial account of these events and aspirations can alone account for the immense significance of the reforms they accomplished, as well as the enormity of the faults they committed."

M. Gomel begins with a succinct account of the financial straits of the government during the period immediately succeeding the Seven Years' War, the opposition of the courts to the king's policy, and their anomalous espousal of the popular cause. The literature of the time, so far as it relates to taxation, receives careful attention. The main part of the volume relates to the period from 1774, when Turgot was called to power, to the resignation of Necker in 1781. M. Gomel's style is lucid and attractive. He treats the subject broadly, furnishing us the data for following the history of the times by short but careful de-

scriptions of the then existing fiscal institutions. He never hesitates to explain technical terms, doubtless at the expense of much patient thought, but saving thereby infinite perplexity to a reader left to determine their meaning inductively.

The chapters are accompanied by careful analyses, and we hope that the author will adopt a practice but too rare among his countrymen—that of supplementing his work with an index.

Readers of the present volume will look with interest for that promised upon the second period of Louis XVI.'s reign.

J. H. R.

English Trade and Finance Chiefly in the Seventeenth Century. By W. A. S. HEWINS, A. B. Pp. xxxv. and 174. London: Methuen & Co. 1892.

The story of England's constitutional development has proven so absorbing to England's historians, that they have devoted themselves chiefly to this aspect of her history. It is of comparatively recent years only that attention has been given to the conditions and causes which lay often times at the root of these striking political changes. A work upon English economic history can hardly fail to be welcome, even if it contains little that is new, and the conditions under which it is published preclude original investigation.

The work of Mr. Hewins forms one of University Extension Manuals published by Methuen & Co. In it we look for a popular statement of familiar facts. It is, however, gratifying to note that the author has made a larger use of hitherto unpublished or neglected materials than was to have been expected. This does not prevent the work from being in the main a condensation of the work of previous writers, notably Cunningham and Thorold Rogers, a fact which, it should be added, the author in no wise attempts to conceal. The author has done his work well, and his little book will no doubt create an interest in English economic history, in circles which the ponderous tomes of other writers would utterly fail to reach.

Mr. Hewins is at his best in the introduction, where he gives a general survey of economic literature during the period covered by his work. It is a convenient summary of the works which were published during the era, and gives an excellent idea of the prevailing tone of these writings. The body of the book is made up of chapters on monopolies, trading companies, the working classes and commercial treaties, the chapters being, as the author tells us, a part of a university extension course in economic history. Trading companies are treated at some length, and we find instructive notices, not only of the prosperous East India Company, but especially of the less successful

ventures of a similar sort which were projected to control trade in other parts of the world. In these days of labor agitation the greatest interest will centre in the entertaining chapter on the working classes. Here we have a lucid account of apprenticeship, wage regulation, wages and conditions of labor, which instinctively call up comparisons in the reader's mind with conditions of to-day. It has seemed advisable to speak of the individual chapters, since each stands practically for itself, and the bond of union between them is rather in the class of subjects than in the continuity of treatment. R. P. F.

Imperial Federation, the Problem of National Unity, by GEORGE R. PARKIN, M. A. Pp. xii, 314, with map. New York and London. Macmillan & Co., 1892.

I remember a professor of economics in a German University once producing a map of the world and pointing out, as an object lesson to his students, that, although published in Leipzig, it had as a title in the corner, not "*Die Welt*," but one much more generally intelligible, viz., "The World." With the political future of all this widely diffused English-speaking race, excepting, of course, the United States, the book before us deals. Can the English colonies be brought, and ought they to be brought, not merely into friendly relations, but into organic connection by means of a great national federation? Has the capacity of the English nation for political organization reached its utmost limit? "For British people," the author truly says, "this is the question of questions. In the whole range of possible political variation in the future there is no issue of such far-reaching significance, not merely for our own people, but for the world at large, as the question whether the British Empire shall remain a political unit for all national purposes, or, yielding to disintegrating force, shall allow the stream of national life to be parted into separate channels."

The change of opinion in regard to federation is a fact upon which great stress is laid. Twenty-five years ago there appears to have been a widespread belief, in official circles as well as elsewhere, that with the hoped-for general adoption of free trade and universal peace nothing was to be gained from retaining the colonies; a complete political independence being the inevitable outcome of existing conditions. A very marked and significant reaction has, however, taken place, even if the sentiment in favor of federation is not quite so universal as the author endeavors to prove it to be. He is himself an ardent advocate of a closer and more permanent union. He has, we infer, devoted much time to the advancement of this cause in the colonies, in this way familiarizing himself with popular sentiment.

The main argument advanced is the expediency of a system of unified defence where the interests of both mother country and colonies are so vitally bound up together. At present the colonies defray but an insignificant fraction of the cost of defence. Out of every pound spent for the protection of the combined commerce of mother country and colonies at sea, the United Kingdom contributes 19s. 5¾d., the outlying Empire 6¼d. Yet the annual value of the sea-borne commerce of the colonies and dependencies already equals two-thirds of that of the United Kingdom, and the *independent* trade carried on by the outlying Empire, either *inter se* or with foreign countries, equals three-eighths of the total commerce of the United Kingdom. Obviously this anomalous condition cannot be permanent. With these unpaid for advantages of the colonies must be reckoned the consular and diplomatic service of the Empire, to the full enjoyment of which they are entitled.

In a map appended to the volume Mr. Parkin gives us a picture of a "maritime position such as no people ever enjoyed before." England at present holds the great quadrilateral of oceanic power. Can the colonies, in view of their dependence on commerce, afford to forego their part in this magnificent and unparalleled system of commercial defence? This question is taken up in the succeeding chapters in relation to Canada, Australia, Tasmania, New Zealand, South Africa and the West Indies. England's interests and those of the greatest of all dependencies, India, are discussed. A chapter on Mr. Carnegie's views adds little to what has been said and might well have been omitted.

The book is written in a spirit of fairness and in good perspective. It cannot but awaken in the mind of every earnest reader a desire to follow step by step the progress of this great political drama.

J. H. R.

Sinking Funds, by EDWARD A. ROSS, Ph. D., Associate Professor of Political Economy and Finance in Cornell University. Publications of the American Economic Association. Vol. vii., Nos. 4 and 5. Pp. 106. Baltimore, 1892.

"It is not that figures will lie," says an eminent American statistician, "but that liars will figure." There never was a better illustration of the truth of this saying than the famous theory of debt payment by a "permanent sinking fund," which Dr. Price unfolded 120 years ago in England. Pitt in England and Hamilton in America adopted in part the sleight-of-hand methods advocated so acutely and so conscientiously by the self-deluded Dr. Price, and the world is not

yet free from all traces of belief in this financial magic. Professor Ross has undertaken the task of giving to the world a scientific study of sinking funds. In a narrative, compact, clear and vivid, he sketches the history of English and American amortization. I am not aware that ever before has the experience of England and the United States with sinking funds been recounted with equal fullness in so brief a form. The facts have long been familiar, but Mr. Ross has arranged them with such happy skill, that new light is focused upon many points in the history of sinking funds.

The continuity between the English and American sinking funds is well shown. While following in the main the chronological order, the monograph is yet a comparative study, with marked simplicity and fidelity in the logical arrangement. The account of Hamilton's measures and of the early attempts of the United States at amortization is singularly lucid. The writer has the knack of going to the heart of the matter in hand, and the equally important knack of putting emphasis of statement in the right place.

Upon the basis of his historical and comparative study, Mr. Ross has constructed a theory of amortization. His analysis is acute and profound, and in the main, he justifies his classification of sinking funds. It does not clearly appear, however, what necessary distinction there is between his "fixed proportional" and his "simple proportional" sinking fund. Again, why should the "permanent appropriation of intentional surpluses" be classed as contingent? If an intentional surplus be a permanent policy, it can scarcely be called contingent. He has confused to some extent justification of his analysis with discussion of policy. The main point to be criticised, however, is the meagreness of the theoretical discussion. Here was an opportunity for a much wider and more detailed development of theory. Professor Ross has made a distinctly original contribution to the theory of the subject, and I express only, what it seems to me, will be a general regret, that the admirable analysis here made was not used as the frame-work of an ample theory of amortization. The author has but whetted the appetite of the students of public finance. If he gives them food of such fine flavor he should give them more.

SIDNEY SHERWOOD.

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Le Travail collectif en France—ses Intérêts—ses Besoins. By TH. VILLARD, President de la Société Centrale du Travail Professionel. Pp. 312. Paris: Gaston Née, 1891.

Although the radical social legislation and the rapid advance of socialism in Germany have of late years turned attention to that

country as though it were a pioneer in the so-called "social movement" of our time, yet in France the labor question attracted public notice earlier, has been approached from more various sides, and has been advancing in legislative attention more rapidly than in any other country. This book is a record of some of these efforts for the solution of the labor problem in France during the last decade. It contains various lectures, speeches, papers, reports of committees, newspaper articles and other documents, principally the work of the author himself, touching the wages question, labor organizations, house rents, free intelligence offices, and especially the agitation for and final consummation of the creation of a "Superior Council of Labor," under the Ministry of Commerce, Industry and Colonies. This body is intended to correspond to the General Council of Manufactures, established in 1831, and the General Council of Agriculture, instituted in 1851. It is composed of fifty members, with advisory rather than administrative powers, appointed by the Minister from various classes of society, and from labor organizations and corporations. Its duty is to be prepared to advise the government on all questions of economic or social importance, as well as to fulfill some few important functions on its own initiative. The membership is intentionally drawn from various classes, but the extent to which this new organ of government represents the "Fourth Estate" can be gathered from some of the more conspicuous of its resolutions at its first sitting in February, 1891. Among these are the following: Government regulation, and in some cases government assistance, should be extended to intelligence offices; wages should be paid in money and at least as often as twice a month; wages should be exempt from seizure; provision for occasional arbitration should be made, and the permanent councils of arbitration and conciliation which already exist should be extended; a "labor office" should be created, the duty of which should be to obtain and disseminate information about labor and its relations to capital, about hours, wages, conditions of industry in various places, schemes of participation, insurance, etc., and their results.

The formation of this Council of Labor, however, is the only one of the projects discussed by M. Villard which has yet reached actuality or importance. Some form of collective organization of "Bureaux de Placement" has been, it is true, repeatedly proposed in the Chamber and agitated outside, but nothing has yet been done, and the "Syndicats Professionels," though legalized and in some instances actually organized, have not become at all numerous. The discussion of co-operative movements, hours of labor, workingmen's insurance, technical education and other elements of the social

condition of the working classes testify rather to the deep and wide interest in such questions in France than to anything that has really been accomplished in the last few years, unless the awakening of this attention itself be considered as the greatest of all results.

Apart from the description and discussion of projected or completed schemes of social reform, considerable information about labor laws and conditions in various countries, and some interesting statistics comparing population, wages, prices and typical expenditures in Paris and in France in 1790 and 1890, help to make sufficient excuse for the publication of what the author himself confesses to be only a series of detached and incomplete studies and records. No excuse, however, is really necessary for putting in more permanent form any part of the record of the wonderfully rapid change in the attitude of the community and of the government toward questions of social relations—a change which is, perhaps, the most clearly marked characteristic of these latter decades of the Nineteenth Century. Moreover, M. Villard is a very good specimen of the more thoughtful and moderate of those reformers who have found in the labor question an opportunity for a modern crusade.

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NOTES.

THE first number of a Roumanian official quarterly statistical Bulletin (*Buletin statistic general al Romaniei.* Anul I. Aprilie, Maiu, Junie, 1892) comes to us from Bucharest. It is issued by the Director of Statistics, and contains an account of the organization of the Bureau, and statistics of population and agriculture. A number of notes on industrial progress of Roumania, Roumanian interests abroad, and a promised translation of Levasseur's recent paper before the Institute on the population of Europe, indicate sufficiently the proposed scope of the journal.

IN the June number of the *Yale Review*, President Francis A. Walker proposes to restrict immigration by requiring from each immigrant a deposit of $100, to be returned after a period of five years. The underlying idea of the interesting discussion is to render emigration from Europe as difficult as it was in the early part of the century, and thus secure for us immigrants of the same type as came to us then.

ONE of the most conspicuous signs of the intellectual re-awakening of Italy in recent years is the foundation of periodicals devoted to all branches of scientific inquiry. It is scarcely possible to call attention to them as they appear, since so many breathe but a short space, gasp and die. It is not too late, therefore, to notice the excellent quarterly review which has reached its sixth number under the title *La Spedaleri.* It is devoted to the philosophy of law, and derives its title from the name of the publicist, Nicolo Spedaleri, (d. 1795) who attempted to reconcile the doctrines of the French philosophers with the teachings of the Church, justifying even regicide by passages from St. Thomas Aquinas. The editor, Professor G. Cimbali, has written a two volume work on Spedaleri, and has carried his enthusiasm so far as to name the journal in his honor. The numbers which have been thus far issued show a high standard both in the articles and the numerous book reviews. We note that the prevailing theme is the relation of recent researches in sociological fields to the general aspects of jurisprudence.

A VALUABLE feature of *the Journal des Économistes*, especially for foreign readers is the attention paid to current economic history. The September issue contains two useful articles of this type, a letter from Italy by Vilfredo Pareto on the co-operative societies of that country and a letter by Professor Waurin, of Geneva, on certain aspects of obligatory arbitration of labor questions in Switzerland.

THE assembling of an interstate congress* of legislators and business men convened to discuss the economic questions of the day, is significant. It recognizes one of the disadvantages of our system of many legislatures, and shows a disposition to secure harmonious action in matters relating to "commerce, transportation, and finance."

Delegates from twenty-four States and Territories, South and West, met to confer as to the best methods of promoting the material welfare of the West. The population represented is largely agricultural. It produces several hundred million bushels of wheat annually in excess of its own demands, meat enough to satisfy the demands of the people of the United States, and cotton sufficient to supply the needs of the English market.

The two topics of currency reform and tariff reform, together with improvement in the means of transportation and extension of reciprocity treaties, occupied the main attention of the convention, although the discussion ranged over a wide field. The contributions to the currency question are, perhaps, the most interesting.

THE book *Who Pays Your Taxes?* (Putnams), edited by the Secretary of the New York Tax Reform Association, is—to quote from its preface—"in part," and, we may add, in large part, "a compilation of matter collected from various sources." Its aim is to propagate the doctrine that real estate should bear the main burden of taxation, which is the principal plank in the platform of the Association. A tax on franchises is, however, regarded with some favor, but taxes on inheritances and incomes, as well as those on personal property, are strongly opposed. With the exception of the editor, none of the writers whose names appear on the title page have contributed anything new to the book. Their opinions are presented in duly acknowledged reprints or summaries of what they have previously published. The views of Mr. David A. Wells, opposing the taxation of personal property, are taken from the well-known report of the New York Tax Commission of

* Report of the Proceedings of the First Western States' Commercial Congress, Kansas City, April 14th to 17th, 1891. Pp. 420.

1870; the argument against an income tax by Mr. Joseph D. Miller was first published in *Belford's Magazine*, November, 1891; and the chapter entitled "The Universities Awakening," consists of extracts from a correspondence of the editor with a number of college or university presidents and professors for the purpose of ascertaining their views in regard to the platform of the Association. The appendix contains a short bibliography of works on taxation.

THE new *Harvard Graduates' Magazine*, the first issue of which has just appeared, contains a remarkable paper by William Jewett Tucker upon *The New Movement on Humanity—From Liberty to Unity*. The fact which the writer seeks to emphasize is "that the great constructive force which we are taking over from the results of physical science, and which we are trying to apply to the current problems of humanity, is the *sense of the organic*, which, as we transfer it to things human, becomes the *consciousness of a vital unity*." "The growing sign of the social bond," he well says, "is not sentiment, hardly sympathy, but intellectual concern." Like Louis Blanc he fervently believes that liberty is only a transitionary stage from which we must proceed to something higher. This address, delivered before the Phi Beta Kappa Chapter at Harvard, deserves a high rank in the memorable list of orations to which that body has listened.

IN *Political Economy and Ethics*,* Professor J. G. Hume, of Toronto University, gives a short but acute analysis of the ethical and practical bases upon which the Mercantilists, the Physiocrats, the Manchester School and the Historical School have founded their respective views of Political Economy. After examining the views of various writers as to what are properly the data of Political Economy it is concluded that if Political Economy is to be of any practical service to mankind it must take within its range, not only a study of the means to gain accepted ends, but it must also consider what are the best ends and what are the best means to the best ends. So far from making, as Cairnes does, the mixing of ethical doctrines with the doctrines of economics responsible for the disrepute into which political economy had been brought, it is argued that it is rather the neglect of ethical considerations that has discredited it with the practical world. It is urged that we must not imagine that we can separate any human feeling or desire from the person having the desire, so as to permit us to estimate units of human desire as we would pounds of sugar or any other purely physical commodity.

*Bryant & Co., Toronto. Pp. 40.

The underlying assumptions of the "Orthodox School" of Political Economy are examined and the conclusion reached that it is not inaccurate or illogical processes of reasoning which have led the school to conclusions at war with observed facts, but that there is inaccuracy and fallacy in the postulates and axioms of the science as these are enunciated by that school.

An interesting and valuable account is given of the forces which, in the mind of the author, seem to have projected the Historical School—to have made its rise a necessity. It is argued that this school is the logical sequence of developments made in the field of ethics.

IN few countries has the relation of general to technical education been regulated in a manner that gives general satisfaction. Egon Zöller in his work, *Die Universitäten und Technischen Hochschulen* * discusses at length the German system and the needed reforms. In his first chapter he traces the growth of the universities and technical schools. He shows how every attempt to introduce technical instruction in the universities failed, because there was no room in them for these little developed technical studies. Out of special schools for rudimentary technical teaching in certain branches have grown great technical universities, with faculties and equipment which place them on the same plane with the universities. Gradually standards of admission have been increased, and internal organization so modified that they have to-day practically the same requirements and the same grade of instruction. Should they, as some have urged, be united? It is the question which the author leads up to throughout his work. In favor of such a blending it is urged that the universities are actually, even in the philosophical faculty, professional schools. But after an examination into the relations of different branches of human knowledge, the author decides against a fusion. He would affect a re-organization which should put economics in the law faculty of the universities, and put all agricultural instruction in the technical schools, instead of in universities or separate institutes. Otherwise he would leave the universities as they stand, while the technical schools, should in his judgment, further enlarge the present sections for general culture studies.

THE last installment of the *Handwörterbuch der Staatswissenschaften*, carries the work forward from *Jagdrecht* to *Kolonialpolitik*, and maintains the high standard of earlier issues. Among the longer

*Berlin: Wilhelm Ernst, 1891. Pp, 212, mk. 5.

articles may be mentioned that on Individualism, by Professor Heinrich Dietzel. The history of the International is written by Professor G. Adler, of Freiburg; *Invaliditäts und Altersversicherung* is discussed by Dr. von Woedtke. Dr. Hans Lache gives a full account of the legislation by different countries, relating to the insane; and Professor Stieda treats of child labor in different countries statistically, and outlines the new German law limiting the employment of children. The article which will doubtless attract the most attention is that on Capital, by Dr. Boehm-Bawerk. The short but comprehensive account of the Knights of Labor is furnished by a German, Professor v. Waltershausen. The *Handwörterbuch* will not, as the editors promised, be completed this year, but will be finished in 1893.

JAN., *1893.*

ANNALS

OF THE

AMERICAN ACADEMY

OF

POLITICAL AND SOCIAL SCIENCE.

THE LOCAL GOVERNMENT OF COUNTRY COMMUNITIES IN PRUSSIA.

Two important laws for the administration of country communities have been lately passed in Prussia. In 1891 an act for the government of country communities (*Landgemeindeordnung*) in the provinces of Eastern and Western Prussia, Brandenburg, Pomerania, Silesia, Posen and Saxony, went into force, and in the following year it was extended with like modifications to the province of Sleswick-Holstein. The importance of these acts is not to be underrated, for they put an end to the last remains of the feudal system in Prussia. I propose, therefore, in this paper, to examine briefly the character of these reforms, both from a political and an historical point of view.

From the times of the German conquest, large estates have prevailed throughout all of Eastern Germany. It was the military interest of the conquering chiefs which made them distribute the soil in estates, among their followers, fit to bear the heavy charge of a knight's service. Side by side with these estates of the knights, German villages were

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founded, the inhabitants of which were bound to many services and rents to the duke or margrave, and the mayor of which was an attendant of the same. But this political and social freedom of the peasantry did not survive the century after the conquest. Financial distresses, caused by repeated divisions of the territories among several brothers during the second part of the thirteenth century, obliged the sovereigns of the eastern territories to sell the financial and political rights they enjoyed over the peasantry, one after the other to the knights of the country. To the latter were now due the services and the rents of the peasants; the knight was the patrimonial justice of the village. It resulted, therefore, that the possessors of the large estates came to exercise both a social and political authority within the village; that the knight became a landlord, his estate, a manor. By the means of his political authority as justice of the village, he might now increase the social and economic dependency of his tenants, especially by driving away one part of them from their estates, and widening the land in demesne and then saddling the services of those driven away upon the remaining peasants. Evidently the social situation of the peasantry in eastern Germany became worse with every century. Finally, after the Reformation, the encroachments of the landlords, through the medium of the Roman law, brought the cultivators of the soil into a condition of serfdom which, except in some Slavic countries, had never before existed in the eastern territories.

It was not before the beginning of the eighteenth century that absolute monarchy put some restraints upon the power of the landlords, obliging them to occupy all the estates of peasants by tenants, and prohibiting the union of those estates with the manorial land. Absolute monarchy did not indeed sunder the ties of social and economic dependency by which the peasantry was bound to the manor, but prevented that social dependency in its extreme form from effecting the destruction of the peasantry by the landlords. Therefore, absolute monarchy, by preserving the peasants

from annihilation, prepared the way for the later social reforms by means of which they secured perfect social freedom.

The reforms of Stein and Hardenberg cleared away the débris of feudalism only on its social side. By a long and difficult process the administrative authorities succeeded in making the peasants freeholders of their estates, and in delivering them from all the services and rents due hitherto to the landlord. The social structure of feudalism, therefore, disappeared from the country. There were larger estates and smaller ones, but their respective proprietors had the same rights on the soil—they were no longer dependent the one from the other.

It might have been expected that the political authority of the landlords, being only the consequence of the social dependency of the peasants, would perish at the same time. Indeed Stein and Hardenberg had already prepared acts for the better government of country communities. The failure of these plans resulted from two causes. During the first years of the reforming era, when Stein and his immediate successors, the ministry Dohna-Altenstein, were at the head of the Prussian Government, the social reform was not completed, and it would have been quite impossible to inaugurate the intended scheme of self-government while the peasants were still in a state of social dependency on their landlords. Therefore, all the projects for the administrative reform of the country were destined to disappointment until social independence could be accomplished. It is the merit of Hardenberg to have continued the administrative reforms of Stein along another line—the social one. Not until the social dependency of the peasants had come to an end could the right moment come to substitute for the feudal administration of the country by the landlords the principles of modern self-government. Indeed, both in 1812 and in 1820, Hardenberg caused such a plan to be prepared. But in both cases he failed, because of the increasing influence of the landed gentry at court, who represented to King Frederick

William III. that the steps of Hardenberg's government were revolutionary and contrary to all the traditions of the Prussian monarchy. When Hardenberg died in 1822, the projects of administrative reform were definitely buried.

The situation of the country in the eastern provinces, from the social and political point of view, was now a very strange one. The social structure of feudalism, with few exceptions, had disappeared, yet the political consequences of that social state were preserved like precious remains of better times, not yet infected by revolutionary ideas.

The government of the country was regulated principally by local by-laws and observances. Supplementary to these the Common Code of Prussia (*Allgemeines Landrecht*), Part II., Art. 7, contained some general principles which were to be applied wherever local by-laws and observances were deficient. But all these sources of law were founded on the pre-supposition that the landlord had a social authority over the members of the village community, and, as this pre-supposition gradually disappeared, great uncertainty of law was the natural consequence, which had to be remedied as far as possible by the administrative boards.

The average state of things was the following: Two kinds of political communities are to be discerned in the country. The landlord's estate, called *Rittergut*, is no part of the village community, but subject only to the immediate authority of its possessor. Within the village community the landlord has the right to nominate the mayor of the village, or at least to confirm him, if his dignity was hereditary in his family. The landlord, moreover, exercised the supreme supervision of the village administration; the more important conclusions of the assembly could not be executed until they were agreed to by the landlord. Within both the landlord's estate and the village, police was administered by the landlord himself or his representative. Finally, he appointed a justiciary, who, in his name, administered justice to the inhabitants of the village and of the estate, excepting the landlord and the members of his family.

Even in those parts of the province of Saxony where the French and Westphalian governments had abolished all feudal institutions, patrimonial local government was restored by the influence of the reaction at court. But in Posen and some parts of Western Prussia, on account of the Polish nationality, to which a great part of the landed gentry strongly adhered, it was to be feared that the restoration of patrimonial government would strengthen the hereditary enemies of Prussian and German authority. Here, therefore, royal courts of justice were substituted for the patrimonial justiciaries; the landlords were permitted to administer police only on their own estates, the police in the villages having been entrusted to government agents. Yet in these provinces the landlord might supervise the management of the village community, and thereby exercise at least a limited public authority. Only in the western provinces of Westphalia and Rhenania no serious attempt was made at all to restore any feudal institution of local government. Here the principles of French administrative law for the village communities were maintained with little modifications.

The hurricane of the year 1848 swept away the last remnants of feudal administration preserved in our modern society. According to the new constitution of the kingdom, a royal ordinance of 1849 abolished the private justice of the landlords, and substituted for it royal courts in every county. Two laws of 1850, closely connected, regulated the administration of the village communities which were exempted from all administrative authority of the landlord, the latter being confined to his own estate, and entrusted the local police to the mayors of larger communities, composed of one or more villages and estates. Yet the law for the better government of the communities could not be put into force, because the radical parties, through whose influence it had been passed, had no sufficient regard for the historical diversities of the towns and the country and of the different provinces. The police law, too, its execution being dependent

on the municipal law, could not be put into force. Therefore, by the aid of the reaction which overcame the revolutionary tendencies after 1851 through all Europe, both laws were suspended. Though the abolition of the patrimonial justice was maintained, the feudal system of administration for the management of the police and the municipal government of the village community was restored by the suspension. A revision of the laws then in force was indeed promised, and afterwards, in 1856, accomplished; but that revision did not touch the principles of the existing feudal administration. Only subordinate matters, the composition of the village assembly, for instance, and the levy of municipal taxes, were better regulated.

During the period of reaction in Prussia, from 1851 to 1857, feudal government in its last mild form was esteemed as strong a bulwark against a new revolution as before the year 1848. Romantic scholars of public law, as Aahl, endeavored to prove that nothing but patrimonial administration would agree with the principles of German commonwealths, and thereby supported the interests of the landlords. To King Frederick William IV. it was at least a comfort that, notwithstanding the fact that the government had been obliged to yield to constitutional monarchy and democratic society, the corner-stone of an opposite scheme of public law was restored.

It was not before the beginning of the reign of King William I. that new schemes for administrative reforms were entered upon; but the conflict between the government and the House of Deputies, concerning the re-organization of the army, and the war of 1870–71 caused new delays. Finally, in 1872, the County Government Act (*Kreisordnung*) was agreed to by Parliament.

The county government being based on the town and village communities, it was evidently the reform of the latter which should have preceded every further step of legislation. Yet, owing to political causes, a new system of county government was the first adopted. Although such was the

proceeding of the legislature, the County Government Act could not be confined to the regulating of county administration; it was extended to the reform of the village communities, at least as far as the county government was based on village government. Therefore, the County Government Act of 1872 regulated several matters concerning the smaller communities of the territory of which the county was composed.

The patrimonial police of the landlord was definitely abolished. The County Government Act states the new principle of public law, that police shall be everywhere exercised in the name of the king. For the administration of police, one or several villages or independent estates are formed into a division (*Amtsbezirk*). The division is represented by a board, elected by the single village communities and possessors of estates, which manages especially the financial business of the division. The only legal charge of the division consists in bearing the costs of the police administration. The president of the division (*Amtsvorsteher*) is appointed by the president of the province (*Oberpräsident*), on nomination made by the representative board of the county. He is the chairman of the division board and the chief of police administration. His duties are performed gratis. As a rule, the former landlords were appointed presidents of the division. They, therefore, exercised the same police authority they had had before, merely the title by which they performed their office having been changed. The similarity of the justice of peace in England to the division president in Prussia has often been mentioned. The resemblance is, however, rather a political than a legal one. For the division president is not competent within all the county, but only within his own division, no concurrent jurisdiction of different officials being allowed, and his official duties are confined to the police department without any criminal jurisdiction. Besides, the county government is not managed by the division presidents, but by the special authorities of the county.

Furthermore, the last traces of feudalism in the municipal government of the village were extinguished by the County Government Act. A mayor, elected for several years by the village assembly and confirmed by the administrative authorities of the state, was now the chief of the municipal government. The state, too, reserved exclusively to its appointees the control of the municipal management in the village. The rights of the landlords, being in contradiction to these new principles, were abolished. Only within the independent estates, to which village powers were granted, the landlord had to bear all the charges of a village community at his own expense, and in return was allowed to perform all the duties of a mayor therein.

The County Government Act was issued for all the eastern provinces, including the province of Posen, provided that it should be extended thereto by royal ordinance. Such an ordinance was never published. On the contrary, a few years later, it was thought prejudicial to the German interest if self-government, such as was established by the County Government Act, should be conceded to a province inhabited chiefly by Poles. Therefore, at the revision of the law in 1881, the province of Posen was expressly exempted. Though the patrimonial system of police had long been abolished in Posen, yet the feudal scheme of municipal administration of the country continued to be in force. The maintenance of these feudal remnants seemed very advantageous to the Germans, since the inhabitants of the villages to whom modern self-government was denied were for the most part Poles, while the proprietors of the larger estates, under whose tutelage the villages were obliged to remain, were chiefly German.

On the other hand, the County Government Act for the province of Sleswick-Holstein of 1888 was almost identical with the act for the eastern provinces. Therefore, the remnants of feudal administration still to be found there were removed in like manner as in the eastern provinces. Nor was there in Sleswick-Holstein any law regulating the

municipal administration of the villages. Common law, the origin of which was to be sought in the feudal times, some laws of recent origin, regulating only particular matters of municipal administration, and the County Government Act for Sleswick-Holstein were the sources in which the municipal law of the country was to be found.

To say nothing of the strange situation of the country in the province of Posen, there were two causes especially which made a new codification of the municipal law for village communities necessary. First, the law in force was partly entirely unwritten law, partly scattered through several acts, and partly based on the principles, not otherwise applicable, of feudal government. Secondly, a great number of village communities and independent estates were so small that they could not bear the communal charges imposed on the communities by the State, especially for the management of primary schools, of roads and highways and for the care of the poor. There was only one remedy —the combination of several small villages into a larger community. Yet the possessors of the independent estates did not wish to come into any nearer connection with the peasantry. The government being without any legal means to unite communities and estates against their own wishes, a law was wanted to enforce such unions in the public interest.

It was the minister for the home department, Herfurth, who caused a bill to be prepared for the eastern provinces at the close of the year 1890. The parliamentary struggle caused thereby was long and sharp. The bill was strongly opposed by the Conservative party, which represented the interests of the landed gentry. The apprehension was expressed that subordinate administrative authorities, to the reports of which the ministry must trust, might, in their excessive zeal, cause the annihilation or the union of communities and estates, which did not properly belong under the head of weak communes. Finally, a compromise was brought about which met these objections, and yet gave the

government the legal means it needed for the general interest. During the last session of the Prussian Diet the act was extended with little modifications to the province of Sleswick-Holstein. Thus the same law for the government of country communities is now in force for eight provinces of the Prussian monarchy.

The village communities and independent estates, existing at the passage of the act, are maintained for the future. Yet weak units, both communities and estates, may for the public interest either be incorporated in other communities or be combined into a communal union. No such measure may be taken by the ordinary administrative authorities against the wishes of the communities and possessors interested. But the decision is committed to the administrative committees of the county, of the district and of the province, in which the members of the landed gentry have a prevailing influence and in last resort to the ministry, which is obliged to pronounce a formal judgment with reasons. Therefore, the interest of the State that every community and estate be large enough to bear the public charges and the interests of the communities and possessors, that no community or estate be deprived of its independence without an urgent necessity, are both taken account of. The village community is incorporated for purposes of local government, so far as such authority is delegated or committed to communities by law. The different subjects of local government are not enumerated by the act; the most important ones will be mentioned.

The membership of the community, hitherto confined to the possessors of farmhouses within the village, is now conceded to every inhabitant. Every one, therefore, by virtue of his domicile may enjoy the use of all communal institutions and in return is subject to all communal charges. But though every inhabitant be a member of the community, the political rights of an elector are only granted to members paying certain taxes or having a certain income. In small communities all the electors will meet as the assembly of the

community; in larger ones a council of deputies is to be formed. In every case the political rights of electors are graduated by their incomes or their taxes into three classes. The richest electors, comprising those who, taken together, pay the third part of all the taxes in the village or have the third part of all the income therein, form the first class; the electors of the first class having been determined, the next richest electors, comprising those who, taken together, pay the second third of taxes, or have the second third of the income, constitute the second class; and all the residue of the electors, the third class. The members of the first class, though fewer in number than those of the second and third classes, have the same number of votes at the assembly, if it is composed of the electors themselves, or at the election of the deputies for the village council. In this way the influence of the proprietors or wealthier classes is insured two-thirds of the votes in the assembly or in the council in every case belonging to them. The term for which the village council is elected is six years.

The mayor of the village and his two assistants are elected by the assembly or the council for six years and confirmed by the county president (*Landrat*), yet confirmation may not be withheld without the consent of the county administrative committee. The feudal institution of mayors, hereditary or appointed by the landlord, which was still to be found in the province of Posen, has now disappeared throughout the Prussian kingdom. The mayor and the assistants perform their duties without any compensation, only in larger communities, where the mayor must spend all his time upon communal business, a salary may be granted to him.

Two remarks must be made on the new constitution of the village communities as compared with their situation before the Country Communities Act was issued. They concern the political rights of village communities generally and the division of the electors into classes.

Formerly the membership of a village community and the exercise of political rights therein was granted only to the

owners of farmhouses within the boundaries of the village. This state of things was in accord with the former social situation when village communities were rather economic than political formations. By the agrarian revolution effected through all Europe in the beginning of this century, the economic community in almost every instance was dissolved. The political importance of the community was, however, constantly increasing. Thus while political interests were not confined to the owners of farmhouses, other inhabitants were obliged to bear their share of the communal charges, especially for the management of primary schools, the almshouse, and the repair of roads. Nevertheless, the non-owners were excluded from political rights. Though adequate to communities wherein the peasants were the prevailing element of population, that exclusion in the suburbs of large cities and in villages prevailingly industrial, where the non-owners bore the largest part of the communal charges, was evidently an injustice. There were two remedies. Either the law, while preserving the historical character of village communities, might grant the Municipal Corporation Act to all villages where industrial or commercial establishments had grown up, or the membership of the community and the rights of an elector were to be extended to all inhabitants independently of their character as proprietors. The government took the latter scheme, notwithstanding the opposition of the Conservative party, a member of which, not without reason, characterized the bill as destined only for Rixdorf, a large suburb of Berlin. Yet the proposal of the government was adopted by Parliament. Therefore, the historical character of village communities is destroyed. But the new principle is modified in its execution, since two-thirds of the votes in the village assembly or council belong to the proprietors, as they constitute the wealthier classes.

The division of members into several classes for political purposes was, moreover, formerly adapted to the different social classes of the peasantry, namely, peasants, half-peasants, cottage holders, etc. This scheme should have been

maintained, even after the non-holders had been admitted to political rights. The only thing necessary was a supplement to the classes already existing by classes of manufacturers, tradesmen, workmen, etc., among which the votes should be distributed by local by-laws in just proportion. But in this regard also the new act destroyed historical formations, which the peasantry was accustomed to, without constituting a better scheme of division for the abolished one. For it is not to be denied that the division into three classes in proportion to the income or the taxes is a very mechanical device and especially unfit for communities where the natural economy of former times still prevails. Notwithstanding these considerations, the three class system, which for municipal corporations is indeed the most expedient, was adopted also for country communities.

The independent estates of the former landlords are not incorporated into the village communities by the new act, although this was strongly urged by the Liberal party, which was of the opinion that they should be incorporated into the communities. Within the boundaries of an independent estate its possessor must bear all the charges of a village community at his own expense. The possessor, as mayor of his estate, is confirmed by the county president in the like manner as the mayor of a village. Whenever he may be incapacitated for the management of political affairs, a vicary substitute must be provided for at his expense.

One or more village communities and independent estates may be combined into a union for certain administrative purposes. We must remember that by the County Government Act of 1872, as also by that of 1888 for Sleswick-Holstein, there were formed divisions in the country for the administration of police. Those divisions, existing only for that one purpose, are preserved. But there were yet other charges which ought not to be borne by a single village community or by a single independent estate. Especially the proper management of primary schools, of the poor, and of roads and highways, was impossible by the small

communities and estates of eastern Germany. To transfer those and other communal charges, which the single communities or estates could no longer bear, to the division seemed the best expedient. Indeed, the County Government Act had already empowered both communities and possessors of estates to make such transfers. One further step was yet to be taken. There was wanted a legal clause, empowering administrative authorities to transfer local business to larger communities, even against the wishes of the communities and possessors concerned.

The divisions already adopted did not seem everywhere fit for that purpose, their boundaries having been fixed especially for the police administration. Though alterations of the boundaries could have been easily made, another course was taken. The government yielded to the tendencies of the Conservative party toward preserving, as much as possible, the independence of communities and estates. Therefore, the formation of large communities for all communal purposes exceeding the abilities of a single village, community, or estate, was rejected. Wherever for a single purpose a union is wanted, it must be formed separately. Thus it happens that one community or one estate may be a member of different unions. For instance, the communities A and B and the independent estate T may form a police division; the communities B and C, a school union; the community B and the independent estates T and U, a poor union; and the communities A, B, and C, a road union. In that manner the community B is a part of four different administrative unions.

Evidently, by such a proceeding, the independence of the single communities and estates will be thoroughly ensured. It is not to be feared that the union will suck up the communities and estates, and thereby annihilate their political existence, the union having been formed only for one branch of local administration. Yet the simplicity of local government perished by this ingenious scheme. No peasant will be able to comprehend easily this complicated system of

unions. Moreover, mayors, vicaries, and councils must be appointed for every union. We may doubt, with good reason, whether fit persons for so many offices, which are all to be managed gratis by their occupants, are to be found everywhere.

For the development of administrative unions, the English administrative law since 1834 will always be typical. There, too, unions were formed only for single purposes. But administrative authorities and the legislature endeavored to simplify that scheme by transferring the different branches of local administration to the same union. Thus, by degrees the union in England is transformed into a community. It may be hoped that, in a like manner, the different unions in Prussia will receive coincident boundaries, and that the same persons will be appointed as officials and deputies of the different unions. If that should happen, the fault of the law would have been amended by administrative means, and the unions, different by law only, would be identical in fact. Yet it is not to be concealed that this natural development of administrative unions, represented by the English type, is crossed in Prussia by the desire of the landed gentry for preserving the political independence of their estates.

On account of the control of local government by the State the Country Communities Act, in accordance with other modern administrative laws of Prussia, states the principle that only the legality, but not the expediency of local government acts, may be controlled by the State. Its authorities are empowered to suspend every act of local government as illegal. But against such a suspension the interested community, possessor or union, may carry on a formal law-suit before the administrative courts. Only by exception some important conclusions of communal bodies require a confirmation by the State, the authorities of which, in these cases, examine the expediency, too, of the acts put before them.

Passing in rapid review the facts which have just claimed our attention, we perceive that the reform of local government in Prussia as now completed, was not only an

administrative need, but an historical necessity. The last ruins of the surviving feudal system of local government are definitely and forever removed. For this reason the Country Communities Act will be of lasting importance far beyond the boundaries of Prussia. Yet we may not deny that the actual enactments are in many regards unsatisfactory. A bureaucratical scheme of equalization prevails throughout the law of country communities. This result is to be regretted the more as the faults, committed in the law, are in great part irremediable. For never again, even in villages without any town-like character, can membership in the community or political rights be withdrawn from the non-possessors, never again can social classes, destroyed by law on account of their political importance, be restored. The bureaucratical tendencies, however, are not consistently worked out. For in the formation of larger country communities, the legislature has stopped before the opposition of the landed gentry and thereby established the insufficient management of communal unions, destined only for single administrative purposes. Excellent in principle, imperfect in particulars, such must be our judgment on reviewing the lately issued Country Communities Act of Prussia.

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COST AND UTILITY.

In a recent review of "The Theory of Dynamic Economics,"* Professor Clark has called attention to what seemed to him the peculiar use made of the terms cost and utility. If the reader has in mind merely the recent development of economic theory I admit that he will probably find that his conception of cost and utility differs from mine. When, however, the whole economic literature is considered, the nomenclature I use has as much if not more authority on its side than has that to which the reader is now more accustomed.

I have no desire, however, to rest the case upon such evidence. Wherever words are used in different senses there is usually some good reason for the conflicting usage, and in this instance a glance over the history of economic theory will make clear the cause of confusion. Political economy has thus far been thought of and worked out in two distinct forms; either as a theory of prosperity or as a theory of distribution and value. With the earlier writers, including Adam Smith and even Ricardo, the problem of national prosperity occupied a dominant place. They were more interested in the general welfare of the nation, in its gross and net revenue, and in the criteria of national progress, than in the shares which the different classes in society secured. Beginning with Senior the latter class of problems came to the front; laws were formulated which fixed the share of each class of producers, and the justice of this distribution was questioned and defended. Still later, the centre of discussion shifted from the problems of distribution to those of value. It was now recognized that the distribution of wealth was determined by changes in objective values,

* Patten's Dynamic Economics. ANNALS OF THE AMERICAN ACADEMY: July, 1892.

and hence a solution of the problems of value carried with it a solution of those of distribution.

I do not mean to assert that the distinction I have drawn between theories of prosperity and those of distribution and value was consciously made by the writers in question. This attitude would imply a more advanced state of discussion than was then possible. They often confuse two distinct concepts of economic science and pass without warning from one to the other; yet a careful reader can separate the two parts and will notice the gradual change of emphasis from the first to the second class of problems.

The use of the terms "cost" and "utility" depends upon the class of problems each writer has in mind. One use of "cost," and a corresponding use of "utility," is employed when a theory of prosperity is to be developed; but when the same or other writers begin to consider distribution and value, they naturally use these terms in a way more fitting to the treatment of these problems. It is the purpose of this paper to make the reader more conscious of the contrasts involved in the development of these radically different ways of viewing economic phenomena. Cost in a theory of prosperity means the disagreeable exertion needed to produce commodities. It is the toil and trouble which every one must undergo when he undertakes to get direct from nature the articles that will supply his wants. His labor may be mental or physical, but no increase of the supply of useful commodities can be drawn from nature without one or both of these kinds of labor. Progress is measured by comparing the labor needed in one age to produce given commodities with that required by some succeeding age. Given, therefore, the primitive condition of men as a basis, and the rate of progress in subsequent periods can be determined by a comparison of costs and utilities. A theory of prosperity assumes not only that pleasures and pains are commensurate, but also that a comparison can be made between the pleasures and pains of individuals living during different periods.

It has been, however, an assumption of all theories of value that value equals the cost of production or depends upon it. It naturally follows from this assumption that any phenomenon which can alter values must be regarded as a cost. In a primitive society, where small use is made of capital, the elements of value correspond so nearly to the pains of production that the definition of cost is of little importance. Each advance in civilization has brought into prominence new elements determining values and changed the emphasis from the older to the newer elements. The history of the theory of value shows a series of efforts to discover the elements of value which were manifest in each age and to represent them as costs. Yet each writer has failed to find the ultimate standard of value, because in the following period new elements of value are discovered arising out of the new industrial conditions.

The confusion between the two uses of the word "cost" probably reached its height in the writings of J. S. Mill. He makes a frequent use of the word in both senses and passes directly from one to the other in a most surprising way. What can be more perplexing than to find these two sentences in juxtaposition: "What the production of a thing costs to its producer, or its series of producers, is the labor expended in producing it. If we consider as the producer the capitalist who makes the advances, the word 'labor' may be replaced by the word 'wages': what the produce costs to him is the wages which he has had to pay."

It is a useless task to show the weakness of Mill's reasoning, as this has already been done so admirably by Cairnes. The latter writer, although doing much to clear up the ambiguities of the word "cost," did not succeed in reducing the term to a simple meaning. A further analysis is needed to free the term from the confusion that has arisen out of past conditions. Cairnes states the issue clearly when he insists that "cost represents what man parts with in the barter between him and nature, which must be kept eternally distinct from the return made by nature to man." In this

statement we have presented the ultimate nature of cost and the contrast which must always be kept in mind between the pains involved in production and the reward which efficient production secures. The pains or costs must be placed on one side of the ledger and the rewards or utilities on the other. Whatever has its source in pain becomes a cost, and whatever depends upon or varies with the return which nature gives in production must not be confused with cost. Does Cairnes in his book-keeping put all the items in their proper place in the ledger?

I think he fails to do this, because in his discussion he extends the meaning of the term "cost" so as to make it include all the sacrifice involved in production. Sacrifice, he affirms, assumes two distinct forms: that involved in physical or mental exertion, and that involved in supplying capital to which the name abstinence is given. He also makes a place for the sacrifice of risk. But if a complete analysis is made of what the producer gives up in production, many other forms of sacrifice must be included.

The sacrifice of confinement, as Professor Clark has happily shown, is now a leading form of sacrifice. The sacrifice of opportunities to labor is involved in any act of production where the margin of production is high enough to leave unused opportunities to labor which will yield a surplus to the workman.* If a laborer can obtain a surplus by making shoes or hats, he must sacrifice one of these surpluses to get the other. The extensive movement of workmen from one country to another, and from country to city, creates another prominent form of sacrifice, which might be called the sacrifice of home.

Yet another sacrifice is that of changing the form of consumption. Almost every change in production requires a corresponding change in consumption. In going from the country to the city, the workman gives up pure air for better amusements, the emigrant must change his diet, and whoever acquires regular habits of industry gives up

* "Theory of Dynamic Economics," p. 60.

a large part of the free goods he might enjoy—hunting, fishing, etc.

Do these forms of sacrifice indicate an increase of cost or of prosperity? In answering this question, we determine whether they belong on the cost or on the utility side of the ledger. These sacrifices, I hold, are not true costs, but only indications of a surplus. The sacrifice of abstinence results from the increased productivity of capital. With capital we can produce with less cost, and hence the abstinence from its use is a sacrifice. The sacrifice of confinement does not involve an increase of pain, but merely a change or delay of the pleasure to which we are entitled, because of the increase of productive power. Each one feels the burden of this sacrifice in proportion to the efficiency of his production and the quantity of the surplus he has to enjoy. The sacrifice of home also becomes a reality by the decrease of the cost of production in some other locality below the cost at home. These forms of sacrifice are only felt when the surplus of society is increasing and its real costs decreasing. Sacrifices have the same effect on the expenses of production as costs, but they do not reduce the surplus of society. In the theory of value they belong on one side of the ledger, while in the theory of prosperity they belong on the other. Sacrifices are expense and not profit; yet, at the same time, they are surplus and not cost.*

Whether sacrifices are to be regarded as cost or surplus depends upon the standpoint of the observer. The value theorist views men in their primitive condition before the physical adjustment to industrial conditions has begun, and hence all sacrifices are costs. The prosperity theorist views society in an advanced state, adjusted to its new conditions, and to him sacrifice has ceased to be a cost and has become surplus. The value theorist naturally seeks a primitive society, because his premise that value equals cost

* Profit is the difference between the value of goods and the expenses of production. Surplus is the difference between the total utility of goods and the subjective cost of producing them. The latter, therefore, is much greater than the former.

leads him to make the costs as high as possible. The prosperity theorist as naturally seeks an advanced society, because there the evidence of social progress is most manifest. The one overlooks or underrates the psychical changes of social progress, while the other emphasizes them.

Each change in a dynamic society which involves sacrifice is followed by a psychical change in the race by which the act ceases to be disagreeable and becomes a pleasure. When we give up any accustomed pleasure to secure another which we deem on the whole to be better, the loss of the first pleasure is at first severe and cuts in heavily on the surplus of the new pleasure. In time, however, the new pleasure becomes the customary one, and then the loss of the old pleasure is not felt. A child would cry bitterly if it must give up an apple to-day, even if he were promised two to-morrow, but when he became a man, with the saving instinct well developed, he would view with great pleasure any exchange of one dollar to-day for two dollars to-morrow. The emigrant leaves his native village with sad feelings concerning the pleasures he is to lose, but when he returns after a few years, he pities his old neighbors and wonders how people can enjoy such crude pleasures.

To an individual unaccustomed to postponing pleasure, few acts are more trying to the will. He has no vision of future happiness, and no pain in not having his future wants provided for. The mind of a thrifty man pictures definitely the pleasures of the distant future, and feels a vivid present pain in not having future wants supplied. As soon as this psychical change takes place the man has a surplus of pleasure in supplying future wants instead of a surplus of pain. This surplus of pleasure will not be so large as in supplying present wants of the same kind and character, yet to such a man the act of giving up less urgent present wants for the more urgent future wants will not be painful as it is in the case of a primitive man. The reward he gets for the act is a return for superior intelligence, and hence, like profits, it is a part of his surplus. It is an element in

the expenses of production, but is not an increase of the true costs of society.

The mind as affected by hunger affords another instance of the difference between men in primitive and in advanced societies. To the primitive man hunger is an unqualified pain. It brings up in his mind only the memory of past suffering, long periods of famine and the loss, perhaps, of many of his best friends. To the civilized man, however, having his wants regularly supplied in a complex modern society, the same sensation creates in the mind, not a feeling of pain, but of pleasure. Instead of a picture of famine and disease, the mind now creates an image of the expected dinner and its many pleasures, to which a good appetite is essential. Hunger adds to the pleasure of the meal more than it takes from it. We pity the man who is not hungry and not him who is hungry. The primitive man would regard the state of not being hungry as ideal : we regard such a state as evidence of disease. Can we at the same time say, "Hunger is the best sauce," and also call it a pain? The sensation may continue disagreeable, but we enjoy the feelings it creates. In computing the surplus of a meal we should therefore reckon the anticipated feelings which hunger produces, and the resulting advantages, as a net gain rather than an uncompensated loss.

It may, however, be asked why the act of abstinence requires a reward for its regular exercise, if it yields a surplus of pleasure. The reason is that the reward would be less than other acts would afford if there were no difference in the value of present and future goods, and hence there would be no motive for the psychical change which the act of saving promotes. For example, in California, during the gold discoveries, why were so many farm products imported? It was not for lack of fertile lands near the mines, because this region has proved itself very productive. It was solely because of the relative return from the mines and farms. The laborer could get, say, three dollars a day on the farm and four dollars in the mines. The three dollars

would yield him a surplus above his costs, but not so much as the mines would yield. The farms were left idle therefore, not for a lack of a surplus, but because the surplus was less than other forms of labor would yield. So in the case of saving. The production of future goods would give the producer, with saving instincts well developed, a surplus even without a reward for the act, but this surplus would be less than the surplus the production of present goods would yield if there was no difference in the value of present and future goods. Interest is a factor in distribution, because the reward of labor is more than sufficient to repay the real cost of production, and not because the act of abstinence is necessarily painful. It is therefore not a cost, but a means of equalizing the distribution of the surplus between the producers of present and future goods.

Viewing interest in this way as the means of equalizing the distribution of the surplus, it might be inferred that the rate of interest would rise with the increase of surplus. The tendency of normal progress is, I think, in this direction, yet powerful social forces more than counterbalance this tendency. The rise of the margin of consumption increases the utility of each increment of present goods, and this strengthens the tendency to spend. A society of individuals with the same subjective qualities would feel the delay of consumption more keenly with each rise in the marginal utility of the articles they consume. Society, therefore, would be compelled to offer a higher rate of interest to offset the greater urgency of present wants.

In our present society this rise is prevented by the unequal distribution of wealth resulting from the unequal development of the saving instinct. Where large sums of capital are accumulated by single individuals, their marginal wants are so well supplied that a low rate of interest creates sufficient inducement for them to delay further present consumption. The average individual saves less, relatively at least, and enjoys the higher marginal utility of present goods which comes with social progress. The normal development

of the race is checked and interest falls when it would otherwise tend to rise.

Whether interest is a real cost or not, that is, whether the act by itself affords more pain than pleasure, is a problem that must be kept distinct from that of the cost of capital. In any progressive society there is a constant demand for new accumulations of capital to supply the needs of an increasing production. In addition, therefore, to supplying present wants, a portion of the time of the laborer must be used in producing new capital. The increased length of the working day makes the marginal increment of production more painful than normal conditions would otherwise demand. In this way the cost to society of the new capital is considerably increased, and if the growth of capital were rapid the rate of interest would be raised. Professor Giddings has brought out this point so admirably that it does not demand a full demonstration here, yet the discussion would not be complete if it were omitted.*

It is this cost of producing new capital that gives much of the basis to the claim that abstinence is a cost to society. If producers who have no capital should cease to borrow and try to produce it themselves, a lengthening of their working day would result, with an accompanying higher marginal cost. They have a real cost to face when they attempt to forego the use of borrowed capital, which they are not willing to undergo so long as the rate of interest is low enough to make borrowing the easier way out of present difficulties. The man who borrows does so to avoid a real cost, but this does not show that the act of abstinence is painful to members of an advanced society having the saving instinct well developed. Society must measure its surplus from the method in which production is actually carried on under normal conditions, and not from a method that would be temporarily substituted for it if we were deprived of the accumulated results of past industry.

*Giddings. "The Cost of Production of Capital." *Quarterly Journal of Economics*, July, 1889.

The borrowers by themselves would be in a position similar to a nation after a devastating war. Production would be carried on by the aid of extra hours of labor, having a higher marginal cost, instead of with capital, involving only a change or delay of consumption. The increase of cost in this case is real, and this higher cost of production must continue until the acts of abstinence again displace those extra hours of labor which the lack of capital demanded. Costs are reduced when an act of the will, made habitual through exercise, can be substituted for mental or physical labor.

By thus viewing social progress from a psychological standpoint, the differences between cost and sacrifice become clear. Changes in race psychology—by which I mean the subjective qualities, desires and feelings created in men by society—as well as improvements in the mechanism of production, reduce the cost of production. Low costs increase the *amount* of sacrifice involved in production, but decrease its *intensity*. The amount of sacrifice is determined by the character of the environment. The better the opportunities for labor at the margin of production the more choice in production does the producer have. The free gifts of nature and other goods which have their utility reduced by prolonging production are more abundant. The producer gives up more under these conditions when he engages in any particular act of production, and hence, his sacrifices are greater than if his environment were less favorable. Low costs, therefore, mean many sacrifices, and to employers of labor the growth of the one element counteracts the reduction of the other. The intensity of this sacrifice, however, is reduced through social progress. The changes in race psychology which we have described alter the attitude of producers towards the acts of sacrifice involved in production. New feelings arise which gradually reduce the disagreeable effects of sacrifice, and at length create a surplus of pleasure in acts where the primitive man would find only acute pains.

Turning from a discussion of cost to that of utility, we also find a difference between the meaning of the latter term as used in a theory of prosperity and in a theory of value. The older writers, who regarded political economy as a theory of prosperity, took it for granted that the pleasures and pains of the different members of a society were commensurate. Bentham has given us a complete system worked out on this hypothesis. Each individual has a sum of pleasures and pains, and when these sums of individual pleasures are added and the pains subtracted, we can decide upon the welfare of society. No one can accept the maxim, "the greatest good to the greatest number," without assuming that the prosperity of a society can be determined by such a calculation, and giving to the word "utility" a meaning that will allow such a calculation to be made. Bentham did not use the term "positive utility," as I have done, because he knew of no other use of the term. Had he lived after Jevons and Menger have given a meaning to the word needed for their theory of value, he would have been forced to distinguish his use of the word from theirs, or to give up the method of calculating utilities which lies at the basis of his system.

Jevons claims to use Bentham's theory of utility as the basis of his theory, and yet he changes the meaning of the terms so radically that the two theories are quite distinct. When Bentham uses the term "utility," he means the gross utility of an object, that is, the whole pleasure derived from an object without any reduction. Fruit, for example, will yield a given pleasure in consumption, but this pleasure is often followed by certain pains, colic, etc. Bentham in estimating the utility of this fruit would call the total pleasure of consumption its utility. The pains of consumption would be classed with the pains of production as negative pleasure. They are both put on the same side of the ledger and contrasted with the gross utility of consumption. Jevons, however, when he uses the term "utility," means the net utility of any object, that is, the pleasure of consumption less the pains of consumption.

On the other hand, the term "cost," which Jevons substitutes for "pains" in his formula, includes more than Bentham's "pains," because Jevons includes in it the sacrifices of production as well as its pains. And these sacrifices are estimated by their gross amount, and not by the product of their amount by their intensity, as the theory of Bentham's demands. The ledger of Jevons, therefore, differs radically from that of Bentham; the use of the same terms is the only sign of similarity. Bentham also assumed that every pleasure is distinct, and that the pleasures and pains accompanying each act can be readily separated from the consequences of every other act. Recent economists, either consciously or unconsciously, deny this assumption. Goods, they have shown, are consumed in groups, and the utility of individual articles must be measured in the group of which they are a part. Utility is no longer defined in the positive manner of Bentham, but in a negative way. It is measured by the difference in the utility of the group with and without the article. When, however, utility is defined in this way, it is no longer possible to add together the utilities of single articles to determine the prosperity of an individual, and still less that of a society. Suppose articles A, B and C form a complement in consumption. The absence of any one article will not only cause a loss of the utility of that article, but also a part of that of the other two articles. If the utility of the group was thirty units, the absence of A might reduce the utility of the group by, say twelve units, the absence of B by thirteen units, and that of C by fifteen units. Reckoned in this way, the sum of the utility of the three would be forty units, or ten units more than they really possess. It is evident that the calculations of Bentham cannot be carried through, if utility is given a meaning of this kind.

Having in mind these facts, overlooked by Bentham, I have made the distinction between positive and absolute utilities. All articles would be estimated at their positive utility, if the formation of complements in consumption did

not add to the utility of an aggregate of goods. When, however, an article is a part of a complement of goods, the consumer can be forced to impute a utility to it that really belongs to other members of the group. Articles which have no utility in themselves acquire utility through their relation to articles having utility. Sugar, for example, has a high utility, but causes the teeth to decay. Toothache results and the dentist's forceps thus acquire utility. But this utility of the forceps is not a real addition to the welfare of the individual; it is merely a part of the utility of the sugar transferred to the forceps. In any complement of goods in which sugar holds a prominent place, forceps acquire an absolute utility from their relation to the sugar. A patched coat adds nothing to the happiness of the wearer; it prevents, however, the loss of the happiness derived from articles which can be enjoyed only when a coat is worn. Cabbage and onions, though disagreeable to the consumer, may drive away hunger, and thus enable him to enjoy any pleasures that his environment affords. They thus acquire a utility which must be subtracted from that of articles really giving pleasure in consumption.

To the value theorist this distinction between positive and absolute utility is of no consequence. He merely seeks to find what degree of importance the consumer attaches to a given article at a given time. The market value of an article is the same, whether its utility is original or acquired.

In the theory of prosperity, however, different periods of a nation's development are compared. During this period of progress, the formation of new and larger complements of goods causes many of the absolute utilities to be displaced by articles having positive utility. Hunger is stilled; but it is done by meat and bread instead of cabbage and onions; tooth-brushes reduce the need of dentist's forceps; and a new garment displaces the patched coat. In this way the gross and net utilities of the articles consumed would be brought more nearly together, and thus, without any change of objective values, a greater prosperity would be enjoyed at

the end of the period than at its beginning. The psychical development of the race would also reduce the intensity of the sacrifices involved in production, and thus increase the surplus of society without reducing the expenses of consumers. If economic nomenclature does not recognize the distinctions on which the changes depend, it is not possible to develop a theory of prosperity.

The two methods of measuring utility can be illustrated by comparing Professor Marshall's view of consumer's surplus with mine. He takes as the utility of the first increment of a good what a consumer would give if he possessed only one increment; the utility of the second increment is what the consumer would give for it if he had but two increments and so on. In this way he gets the consumer's surplus of each article. Nowhere does he try to add together the consumer's surplus of all the articles consumed by an individual to get the whole consumer's surplus as I have done. If he did he would see an error, for the parts will not add. Subjective utilities are units of one class and, when correctly estimated, must add so that the consumer can determine the surplus of his whole consumption.

Suppose I am in a desert with three loaves of bread. To the first I might attribute 200 units of pleasure, as it would keep me alive; to the second, say 50 units, as it would make me comfortable; to the third, say five units. If instead of bread I had three pounds of meat, I might attribute to the first pound 300 units of pleasure; to the second 75 units; and to the third, say 10 units. If, as a third hypothesis, I had both articles to the amount named, could I add the two surpluses (255–385) and say I had 640 units of pleasure? Certainly not. I cannot at the same time have the first pound of meat worth 300 units, and the first loaf worth 200 units. Either the first pound of meat or the first loaf of bread become an essential part of the group of goods needed to secure life. A large part of its value is created by its position in this group. When I estimate the first pound of meat as worth 300 units, and the first loaf of bread as worth 200

units, one important element—the absolute utility of living—is counted twice, and if all articles have their consumer's surplus estimated in this manner, there are innumerable duplications.

In my way of estimating utilities it is assumed that the consumer is in a normal state, surrounded by a variety of goods. Then to each increment is given the utility derived from it under these conditions. It is quite different to ask what a man would give for a single roll of bread in a desert, or for two rolls, etc., than it is to ask what pleasure will he get from the first roll at a meal when he eats four rolls, from the second roll, etc.? Estimating in the first way, he cannot add the separate utilities to find the total utility from a variety of articles; but in the second way he can. By positive utility I mean the pleasure derived from the different portions of an article or a group of articles when they are consumed together under normal conditions. The pleasure of mere living may depend upon these articles, but it should be estimated by itself so as not to confuse the calculation of economic utilities.

Professor Marshall's consumer's surplus would be much larger than mine, because he estimates the surplus not from a given situation of the consumer, but from a series of situations representing different stages of supply. It seems to me misleading to add together the surplus under a variety of abnormal situations and call the sum the consumer's surplus, because it implies that the given surplus is really obtained by the consumer. This is not true, as no consumer can be in all these situations at the same time, nor do any number of consumers find themselves in the variety of situations which would make the consumer's surplus from the whole commodity correspond to the supposition which Professor Marshall makes.

The high utility which articles acquire under abnormal conditions does not indicate an addition to consumer's surplus either of the individual or of society, but merely a transfer of utility from one article to another. Suppose a man in a

desert with a loaf of bread, some cloth, and other articles of merchandise. The abnormal position would greatly increase the utility of the bread, but the other articles would correspondingly fall in value. The consumer's surplus of the man would not be increased, because the effect of the rise in the utility of the one article would be counteracted by the fall of the others. There is merely a change in objective values and not an increase of subjective utilities. Usually the abnormally high utility of the first increments of one article or of a few articles accompanies a reduction in the consumer's surplus of the individual.

While Professor Marshall's method affords a good illustration of how utility is measured from the standpoint of a value theorist, Professor Clark's illustration is equally good for a similar measurement of cost. It is assumed in the illustration used by Professor Clark that the articles A, B and C can be made in nine hours' work, and that the article D can be made in the tenth hour with an effort less than the pleasure of its consumption.* This tenth hour of work, however, will reduce the leisure of the workman, and thus reduce the subjective utility of A, B and C. There is, then, a gain of utility in working the extra hour, and a loss of utility in consumption. How shall this gain and loss be represented? To make the problem definite, I shall use some tables representing the utility and cost of the various articles:

	I.		II.		III.	
	Utility.	Cost.	Utility.	Cost.	Utility.	Cost.
A . . .	8	1	8	1	8	1
B . . .	7	2	7	2	7	2
C . . .	6	3	6	3	6	3
D . . .	5	4	5	7	2	4

In the first table, let the utility and cost be represented as they would be if there was no loss in consumption resulting from the extra hour's work. We will also suppose that the utility derived from the consumption of the first three articles will be reduced three units if the work is extended

* ANNALS OF THE AMERICAN ACADEMY, July, 1892, p. 40.

through the tenth hour. Then, if I understand Professor Clark correctly, he would estimate the utility and cost of the articles as in the second table. The diminution of the utility of the first three articles is a cost, he says, and this cost added to the pain of producing D would make its total cost seven units, thus preventing its production. I would, however, estimate the utility and cost according to the third table. Under the conditions assumed, the joint utility of A, B and C, if D is not produced, is twenty-one units. If D is produced, the joint utility of the four articles is twenty-three units. The utility of D under these conditions is therefore but two units. If the workman works ten hours, the tenth hour adds two units to his stock of utilities and his cost is four units; therefore he will not work the extra hour.

A reduction of the utility of an article should never be represented as a cost. Its effect should always be represented by a lower utility of some other article whose consumption or production reduces the joint utility of the two. In the illustration given, the workman, if he works ten hours, has not twenty-six units of utility to enjoy and thirteen units of pain. The whole utility is but twenty-three units, and the whole pain ten units. Three imaginary units are added to each side of the account in order to save the theorem that costs and value are always equal at the margin of production. I also fail to see how Professor Clark's argument helps his position. It is agreed that under the conditions D will not be produced. C is therefore the marginal increment of production, and there will be a surplus of three units in its production, even if Professor Clark's position is correct.

There is, however, another reason for a surplus at the margin of production besides the fact that the time needed for consumption of what has been produced cuts into the time needed for production. In a highly efficient state of industry, the number of hours which a workman may work and yet have a surplus is so great that, if he works until the marginal cost equals marginal utility, his efficiency during

the following days will be reduced, and also his capacity for enjoyment. Suppose marginal cost equals marginal utility only at the end of the sixteenth hour of labor. Then the vitality of the workman will be so reduced after a few working days of this length, that he cannot accomplish as much as if he worked regularly fewer hours each day. The same cause will reduce the utility of the articles he consumes, and hence he would have more cost and less utility than if he worked fewer hours a day. Prudence would therefore dictate that the workman, under these conditions, should reduce the length of his working day, and thus have a surplus at the margin of production.

In the foregoing discussion of the terms "cost" and "utility" I hope to have shown that the different meanings of these terms have arisen out of two radically different ways of investigating economic phenomena. The meaning I give to these terms is in harmony with the meaning attached to them by every economist who views political economy primarily as a theory of prosperity. If my usage differs from that of most of the writers of the present day it is because the theory of value has of recent years absorbed the attention of economists to a degree that causes them to neglect the theory of prosperity. Any one desiring to revive the interest in the latter theory must use these terms with their earlier meanings, drawing some new distinctions needed to adapt the theory to our present knowledge of economic phenomena. That the two concepts should differ in many particulars is inevitable, but if all writers will be as considerate as Professor Clark, there is hope of progress in spite of differences in the use of terms.

It is necessary to recognize that the premises of the theory of value are more simple than those of the theory of prosperity, and that distinctions needed for the latter theory can be overlooked in the former. The value theorist merely seeks to determine the causes that fix the market values of to-day. It makes no difference to him whether utilities are positive or absolute; both will act in the same way on present market

values. Nor does he care whether the expenses of production result from real costs or from the sacrifice of one utility for another, since both will affect values in the same way. These changes, therefore, would not be of importance in the theory of value, having no effect on market values, and yet must be considered in measuring the increase of prosperity.

The vital differences between the two concepts lie in the relation of the marginal increments of production and of consumption. If there is a surplus in the last increment of a normal day's labor, the theory of distribution will be different from what it will be if there is no such surplus. In the latter case the whole distribution depends upon the cost of the marginal increment of production. The law of differential cost or rent will then determine the distribution of the surplus. But if there is a surplus at the margin of production, a part of the surplus is distributed, not by a law of cost, but by the law of monopoly. The most slowly increasing factors of production become monopolies and secure the greater part of the surplus. Producers who have the power of raising the objective value of their commodities do so at the expense of other producers and not of consumers.

I have called this part of the surplus not distributed by the law of cost, surplus value, but it might be called the monopoly fund. There would then be in the new theory of prosperity a monopoly-fund theory corresponding in importance to the wage-fund theory in the old theory of prosperity. The law of the monopoly fund might be stated as follows: *The fund which is distributed according to the law of monopoly increases with the growth in the variety of consumption and with the reduction of cost.* This law, however, would not necessarily mean that the great monopolies, of which we hear so much, grow with the increase of prosperity. There is a necessary connection between the increase of the monopoly fund and the improvement of the standard of life, since they both depend upon the increase in the variety of consumption and the consequent rise of

the margin of consumption. But producers adjust themselves to new conditions much more easily than do consumers, and, therefore, they will at first gain the advantage due to an increase of the monopoly fund. The steady rise of the standard of life should in time check the increase of population and make labor a more slowly increasing factor in production, thus securing for the laborers a greater share in the monopoly fund. They would secure this reward, however, not because of any cost they bear, but because of their slower rate of increase.

The practical results of the acceptance of this theory are apparent. According to the older theory, where costs determine distribution, the surplus is either consumer's surplus or rent. Theories of taxation try, therefore, to reach one or both these funds by taxes. Theories of progressive taxation seek to tax the consumer's surplus, while other theories, like the single tax theory, try to tax rent. But if the increasing differences in the marginal increments of production and of consumption due to social progress enlarge the monopoly fund at the expense of consumer's surplus and rent, both these latter funds (consumer's surplus and rent) are decreasing funds or, at least, lose their relative importance in an advanced society. Therefore, taxes should be placed so that they will fall upon the monopoly fund, thus becoming burdenless to society.

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THE ALCOHOL QUESTION IN SWITZERLAND.

The war against the misuse of intoxicating drinks has, in some parts of Switzerland, a long and varied history. With the amendment of the National Constitution, in 1885, and the laws resulting from or suggested by it, the movement acquired a more general and national character and, at the same time, reached a stage where a backward glance on the road already traveled and the objects attained, may be helpful. The introduction of the brandy monopoly has, in particular, attracted widespread attention. It would, however, be one-sided in considering the whole problem and in estimating the results attained, to limit one's self to a discussion of the monopoly. Leaving aside the more or less important assistance of individuals and the manifold activity of organized private effort, legislation alone presents a complicated plexus of measures of which the monopoly is but one, and of which each one has its own signification and lays claim to its own proper place in the system.

We shall not attempt here to do justice to the efforts of individuals in combating the evil of intemperance, and even in regard to legislative action we must content ourselves with briefly sketching its most important features.

The most radical means of opposition to alcohol are legal prohibition and its correlative in the domain of private activity, total abstinence. There has never been in Switzerland, to our knowledge, any serious discussion of the introduction of prohibitory laws, owing to the openly-hostile attitude of public opinion to so radical a measure. Neither has total abstinence, as a principle of conduct for adults, ever found much encouragement among us. As a rule for children, and a remedy for intemperance, however, abstinence from all, or at least from certain spirituous beverages, has won for itself of late, even with us, a heightened,

although by no means an universal recognition. For example, the Temperance Society of the Blue Cross, which proclaims total abstinence both as a cure and as a duty imposed by Christian ethics, numbered in 1877 only thirty-two, six years later, 2763, and in 1890, 5348 adult members and adherents. Under these circumstances, it is superfluous to consider farther in this sketch the principle of total abstinence.

It has been often asserted, perhaps too unconditionally, by prominent students of the alcohol question, that the use of fermented liquor gave rise in ancient times to drunkenness, with its individual outgrowths, but that the malady of alcoholism is a modern disease of the body social, produced by the introduction and consumption of brandy. It is, in any case, on the supposition of the existence of different degrees of harmfulness in the various beverages that the legislative struggle with intemperance in Switzerland, which has, in the last ten years, reached a species of conclusion, chiefly rests. The aim of the government was, in substance, to improve the quality of brandy, and, at the same time, to check its consumption by substituting for it the less harmful wine and beer.

Before taking into consideration the execution of this programme, we must notice a contemporaneous but entirely distinct movement, *i. e.*, the agitation against the tavern.* People began very early to associate the spread of alcoholism with the existence and ever-increasing number of public resorts for the sale of liquor; consequently, to diminish the number of these establishments or, at least, to check their farther multiplication, seemed to many one of the best, if not *the* best, and only means of combating the evil. So in Switzerland, for example, where an especially strong interest has been shown of late in the cure of this universally recognized malady, the movement was in the beginning almost

* [German *Wirthshaus*. The somewhat antiquated English word "tavern" is the only one we have which adequately expresses the German original. The American "saloon" is practically unknown on the European continent, where eating and drinking remain much more intimately associated than with us.—TRANSLATOR.]

entirely governed by this principle. It became, therefore, a question of the first importance, whether or not the government should have the right to regulate the relation between supply and demand in the sale of intoxicating liquors; in other words, whether or not the government would be justified in rejecting a petition for a tavern license on the ground that there were already in existence in the place in question a sufficient number of such establishments. Such action on the part of the government was, however, irreconcilable with Article 31 of the Constitution of 1874, which guaranteed freedom of trade throughout the Federation under certain restrictions pertaining to finance and police. It was asserted by the upholders of the principle above referred to, of *the more taverns the more drinking*, that this Article 31 was responsible for the multiplication of public houses, and, consequently, for the increase of alcoholism, and they advocated, therefore, a revision of the Constitution, limiting the freedom of trade as far as the sale of liquor was concerned.

We could not and cannot share this opinion, and as it is supported outside of Switzerland with equal, if not greater, persistence, we hope we may be pardoned for setting forth briefly the opposing view. We find that the movement, as above described, has two distinct elements, viz., the struggle against the tavern and that against alcoholism. By alcoholism we understand the evil effects on individuals and society of an immoderate use of intoxicating liquors, whereas the tavern evil is only a specific but perverted outgrowth of the natural craving for entertainment and society. In direct contradistinction to alcoholism, it may exist where there is only moderate drinking. The tavern evil certainly leads in many cases to the immoderate use of alcohol, and, consequently, to the disease of alcoholism; but these are not its necessary and, very often, not its actual, consequences. Alcoholism can be produced and exist independent of the tavern, and *vice versa*. It is clear that there is an inevitable connection between the tavern and the tavern evil, but the relation between this evil and the number of taverns is by no

means a necessary one. It is a matter of experience that one tavern may cause more trouble than ten. Still less intimate is the relation between alcoholism and the tavern on one hand and alcoholism and the *number* of taverns on the other. There is no more connection than between the number of railroad stations and the amount of traffic, or the frequency of accidents. Taverns, like the stations, are so various in character and influence that they can hardly be classed together as a whole, and to attempt to do so is to sacrifice *quale* to *quantum* in an unfair and inadmissible way. As traffic utilizes other channels besides the railroads, so the tavern is not the only and, in many cases, not the principal refuge of that taste for liquor which leads to alcoholism. Suffice it, in this connection, to call attention to the fact that the public establishment for the sale of liquor plays a very different rôle in the town and in the country, in the regions where wine or brandy is produced and those in which vineyards and distilleries are wanting, etc. In most countries, and especially in Switzerland, where real grog-shops are few, brandy, of all drinks the most injurious and which leads most quickly and surely to alcoholism, does most harm where it is set forth by the private host rather than the public landlord, drunk at home and in the workshop rather than in the tavern.

The tavern evil cannot well be investigated statistically. But the international statistics of alcoholism, by their contradictory testimony, go to confirm what has been said above. They show increase in the number of public houses, with and without increase of the consumption of liquor and of alcoholism; decrease in the number of taverns, with and without decrease of intemperance; relatively large numbers of public drinking places, with relatively little drinking, and *vice versa*. Where, however, a reduction of the number of taverns has been followed by a decrease of alcoholism, such reduction has either been accompanied by other important measures, or has been so radical as to partake of a prohibitory character.

From these considerations we draw the conclusion that while the reduction of the number of taverns may occasionally and under certain circumstances produce a decrease of the tavern evil or of alcoholism or of both, we cannot look for either an universal or certain result from the measure, especially as regards alcoholism. Nevertheless, we are not so prejudiced as not willingly to sacrifice our personal opinion to an occasional and, so to speak, accidental success, did not history teach us that the execution of such measures can and has given rise everywhere and always to arbitrary and illegal discriminations, and that the principle in question may but too easily be used as an *instrumentum regni*. We are, therefore, opposed on principle to any regulation of the sale of liquor which may be proposed under the title of the question of consumption.

On the other hand, we would be warm adherents of any measures which promise an amelioration of the tavern evil, leaving untouched the equality of all before the law. We welcome all efforts to obtain a higher level in the character of the license holder, and of the tavern, measures requiring certain guarantees of the personality of the licensee, which harmonize the location and internal arrangements of the tavern with considerations of public good, which limit the time of sale for the promotion of public order, which provide for proper food and entertainment, and which exclude immoral influence.

Considerations of this nature induced the Swiss Federal Government to abandon a proposed amendment to Art. 31 of the Federal Constitution. They had all the more reason for the action, as it seemed undesirable to allow the whole movement against alcohol to fall into a futile struggle against taverns, and thus side-track the entire movement.

In the course of events Art. 31 was, however, revised. In the legislative bodies the adherents of the doctrine that there was a direct connection between alcoholism and the number of taverns, joined hands with the Federalists, a political party that would leave no opportunity unimproved to conquer

any powers for the Cantons. The position of the Federalists induced the members of other parties to agree to the proposed revision, as this concession seemed the only means of securing the aid of the Federalists for the proposed extension of the Federal power over the manufacture and sale of distilled spirits. The Executive gave its approval so soon as it was convinced that further measures for restricting the consumption of brandy were sure to follow. The action was ratified by the direct vote of the people. The two amendments, increasing the power of the Cantons on the one hand and of the Federation on the other, were submitted together to the vote of the people, and hence a clear and distinct expression of principles was impossible.

The revision of Art. 31 gave the Cantons legislative power to subject the sale of liquors to the restrictions that the public welfare demanded. But the power granted was not so extensive as proposed by those who looked for a sovereign remedy in the reduction of the number of taverns. The Federal Government was careful in its decisions upon appeals from the action of the cantonal governments to protect, so far as possible, the equality of all citizens before the law. In its decisions it said that while citizens could not claim absolute commercial freedom in this matter, they could rightfully demand that the limitations should be such as would operate in the same manner for all persons in the same situation. Before the adoption of the Federal Constitution the legislation of fifteen Cantons and half-Cantons, with a population of 1,700,804 persons (census of 1888) had, apart from certain special exceptions, not adopted the standard of necessity in determining the number of places for the sale of liquors. Ten Cantons, with a population of 1,232,530, had legislation based on that principle. In three of the latter, and the most important of them, law and practice stood in a more or less drastic contrast.

Since the amendment of 1885 four Cantons with 580,694 population, have adopted the principle in question, so that to-day three-fifths of the Swiss Cantons have a restrictive

policy, while in the other two-fifths there are no special provisions regulating the liquor traffic. The fiscal and police regulations governing the trade were not touched by the revision of 1885. They have been made almost universally more stringent. It is fortunate that the whole question has become the subject of increased attention. This seems to us the main fruit of the legislation. It is much to be regretted that the imperfection of human institutions has prevented a strict harmony of actual practice with the laws as they stand on paper.

The number of places for the sale of liquor, as shown by the *Statistical Annual*, has increased from 1882 to 1888, in all Cantons, by 625. In the fourteen Cantons with restriction (Berne, Lucerne, Uri, Obwalden, Nidwalden, Zug, Fribourg, Basel (city), Aargau, Valais, Basel (country), Vaud, St. Gall and Schaffhausen) the number has increased from 10,890 to 11,011. But if Valais should be omitted, where a different principle was followed in obtaining the figures at the two dates, this class of Cantons shows 10,237 taverns in 1882 against 10,144 in 1888, or a decrease of ninety-three. Eight Cantons show a decrease of 298, the remaining six an increase of 205 licenses. In the increase are included two Cantons which adopted the principle of restriction in 1885 (showing an increase of 183 licenses), and it would seem that the traditions of the older legislation were still at work. In the eleven Cantons without restriction, the increase in the same period was 254 (1882, 10,743; 1888, 10,997 taverns). In six Cantons (Zürich, Solothurn, Appenzell A-Rh., Graubünden, Thurgau and Ticino), there was an increase of 397; in the remaining (Schwyz, Glarus, Appenzell I.-Rh., Neuchâtel, Geneva) a decrease of 143. In view of the somewhat doubtful comparability of the figures and of the position we take in the question, we shall not draw any farther conclusions from the figures given.

Let us turn from this point to the main question. We have shown that the solution of the liquor problem was sought mainly in the substitution of wine and beer for

strong drinks, and in the improvement of the quality of the latter. It remains to be shown in detail how the problem has been approached.

We would emphasize first the increase in the cost of distilled liquors by the imposition of federal and cantonal taxes. The federal taxes consist in the duties on imported spirits for the benefit of the federal treasury, and in the tax on consumption for the benefit of the Cantons, introduced in 1887 in the form of a monopoly. These taxes are imposed on all distilled liquors with the exception of those made in Switzerland from grapes, fruits, berries and roots of Swiss origin. The monopoly, apart from practically inconsiderable exceptions, is applied as follows:

A. For the home production—(1) by the purchase by the monopoly administration of all raw spirits produced from materials containing starch, and the sale of this product in the form of pure raw spirits or rectified spirits at monopoly prices; (2) by collection of monopoly fees on the production of raw spirits and brandy from grapes, fruit, berries and roots of foreign origin.

B. For imports—(1) by transferring to the monopoly administration the exclusive privilege of importing spirits, and raw spirits and by the sale of the same in pure quality at monopoly prices; (2) by the collection of monopoly fees on brandies and liquors of every kind imported by private persons.

Customs duties and monopoly charges are so adjusted that the qualities consumed by the agricultural population and the great mass of the people are less heavily burdened than the finer qualities, consumed by the well-to-do classes. The same holds true for the taxes introduced after 1887 in the various Cantons on the sale of distilled liquors of all kinds in quantities of less than forty litres.

With the introduction of the new taxes on consumption and sale of liquors, the old taxes of the various Cantons have been *de facto* or *de jure* superseded. In general, the old taxes retained and the new ones introduced are about three times higher than those before 1887, exact calculations

being out of the question. The taxes are still comparatively low, and the reproach often heard, that the philanthropists of alcohol reform in Switzerland have been led by financial considerations, is unfounded, since few states in similar positions to Switzerland have more moderate taxes on distilled spirits. It is due to historical conditions that the taxes are felt by the different sections of the country with varying force according as they possessed previously low or high taxation This is the more to be regretted since, under the old order of things, the highest taxes on liquors occurred in those Cantons where, in consequence of an irrational system of taxes on wine and beer, the consumption of distilled liquors was greatest, in Cantons where it would have been highly desirable to have the new tax felt most strongly. It seems to us that the existing taxation of distilled liquors can only ameliorate indirectly the evils of their use and only in conjunction with other measures. The most important of these we consider the cheapening of fermented liquors.

This was accomplished on the one hand by the abandonment of the cantonal and communal duties (*Ohmgelder* and *Octrois*) on wine and beer, and, on the other hand, by the adoption of a constitutional amendment whereby the sale of fermented liquors in quantities of more than two litres should be subjected to no further restriction than such as may be necessary to prevent adulterations and to preserve health. Wine and beer are subject at present only to the Federal customs duties and the cantonal tavern license. Recently, as has already been said, the latter have been generally more or less increased. The customs duties are very low. We should regret, from the standpoint of the alcohol question, if fiscal interests or protectionist tendencies should bring about any change in this matter and thus render wholly or partially ineffective the abolition of the cantonal duties.

The abolition of the duties (*Ohmgelder* and *Octrois*) on wine and beer was beneficial in practice chiefly to the

consumers who were able to buy these drinks for domestic use by the keg. The prohibition of all taxes on small sales aimed at the cheapening of these wares to persons who could not buy in such amounts, but were forced to purchase in small quantities. Unfortunately, this purpose has not been as fully attained as it was desired. The traditions of former legislation, as well as a lack of commercial enterprise, have prevented a general organization of such retail trade in the manner conceived by the legislators.

An improvement of the quality of all liquors accompanied the cheapening of fermented liquors and the increased price of distilled liquors. In regard to spirits the federal and cantonal governments have divided the task. The federal government, through the monopoly administration, guarantees the good quality of all the materials which come into commerce, and the cantonal governments see that the liquors and liqueurs meet the requirements of a sound hygiene. The work of the cantonal government is carried out with varying degrees of effectiveness. In general, however, there is a decided gain in the seriousness with which the task has been taken up, since the inception of the reform movement and notably in those districts where the use of distilled liquors is the most extensive. At this point we cannot discuss farther the general significance of the purity of distilled liquors in the struggle with alcoholism, nor the measures which have been taken by the Swiss monopoly to secure this purity.*

In connection with the purity of fermented liquors attention should be called to the many and costly efforts of the federal and cantonal governments in recent years to improve the cultivation of the grape and other fruit by destroying insects and diseases, by improving the agricultural instruction, by establishing experiment stations, by ordinances on planting fruit trees by the road sides, and by laws for insuring the genuineness of wines.

* The author has treated this subject in a report to the Third International Congress against the misuse of spirituous liquors (Christiana, 1891), and also in the *Geschäftsbericht der Alkoholverwaltung* for 1890.

Furthermore, we should mention the police regulations of the Cantons in regard to food. They are of earlier origin, but their execution has gained in vigor since the reform movement of the last decade. That there is still something to be desired in this connection cannot be denied. There are, therefore, those who find the cantonal authority too narrow in this field and strive for something better and uniform under federal action. In this connection should be mentioned the resolution of the Nationalrath, in June, 1887, requesting the Bundesrath to investigate and report what measures in the way of federal legislation ought to be taken supplementing the ordinances of the cantonal governments relating to the manufacture and sale of pure food, and especially compelling the makers and sellers of all wares to call them by their right names. Recently the government of Zürich has brought forward a proposal for a federal law fixing police regulations for food. The field of action of the Federation in regard to fermented-liquor police is quite restricted. So it may be reduced to a differential taxation of natural and refined wines which are imported.

The struggle with alcohol did not rest with these achievements, the increased price of distilled liquors, the cheapening of wine and beer, and the improvement in quality. These general measures were accompanied by two special measures whose importance is by no means insignificant, the regulation of distilleries and the application of one-tenth of the monopoly receipts for the struggle with alcoholism.

Peddling distilled liquors is recognized in different sections as a dangerous practice. The federal law of 1886 prohibits this form of sale. But worse than the evils of peddling, according to the experience of Switzerland and other nations, are those which arise from the existence of small stills in agricultural districts. The evils of the use of spirits in the country were produced or accentuated by the fact that peasants took the production of distilled liquors in constantly increasing quantities into their own hands, although little fitted for the work. This product, by reason of the primitive methods of

manufacture and the absence of rectification, was excluded from the market. It was therefore consumed where produced, and in a quantity far outstripping any necessity.

Dr. Schild described the effects of these small stills in various sections of Switzerland in 1864. We may take his words as an accurate description to-day. "In the fields," he writes, "in the houses, and in the work-shops, we are forced to the conclusion that 'schnaps' is the daily drink, morning and evening. The many stills bring 'schnaps' in plenty into the peasants' houses, and the workmen must be content with it and, *nolens volens*, accustom themselves to it. Even children are often given a little drop and this becomes gradually a large drop, and then a little glass and finally a whole glass. No one should be surprised that drinking has become so common in peasant houses; that contrary to former customs and habits, peasants' sons appear in taverns after having become at home regular drinkers. Many illustrations are familiar here in the country of respectable peasant families who have become distillers and who have been ruined by the immoral consequences of 'schnaps' drinking, despite the material advantages which they have gained."

All this is essentially changed through the efforts of some of the Cantons, but mainly thanks to the introduction of the Swiss alcohol monopoly. Fourteen hundred large and small distilleries have been suppressed since 1887 by expropriation. For the remaining sixty or seventy distilleries the monopoly administration is the only purchaser. The product does not go directly from distiller to consumer. It flows into a reservoir sealed officially, and accessible only to the authorities. The administration takes it under legally fixed conditions and brings it back, rectified if not sufficiently pure, into trade, at monopoly prices. To these provisions of the monopoly law in their relation to consumption we would ascribe a greater and more direct influence than to the taxation of liquors. But in our opinion these advantages are due to the monopoly character of the administration. The monopoly has rendered the description above cited obsolete. There is

a great difference whether men run after liquor or it runs after them.

Less important, perhaps, but not to be passed over without consideration, is the provision that one-tenth of the monopoly receipts shall be applied to the struggle with alcoholism. We speak of the future, since the laws and ordinances on this subject are not all ready and operative. In so far as the tendencies of these laws is apparent, their main purpose is to provide more largely for the care of the insane and poor and to support private enterprises which aim at the diminution of the vice of drinking. The tenth amounts to from 600,000 to 700,000 francs annually. The struggle against alcoholism is, as it were, endowed with a capital of over 20,000,000 francs. This proves that merely fiscal purposes were not the only determining factors in the creation of the monopoly.

We have thus far discussed the most essential legal measures against the misuse of alcoholic liquors and may turn now to the results accomplished as far as they can be enumerated.

The report of the alcohol monopoly for 1890 gives the following figures on the consumption of distilled liquors at 50° of all kinds per capita.

1882,	9.4 litres	before the monopoly.
1885,	10.26 "	
1890,	6.27 "	under the monopoly.
1891,	6.32 "	

As the report says, "If we compare the figures for the years 1882, 1885, 1890 before and after the introduction of the monopoly, we see a per capita increase of .86 litres for the period preceding the monopoly, but a decrease of 3.99 litres per capita since its introduction. A decrease of such tremendous proportions has not, however, actually taken place. Formerly a large part of the distilled liquors produced in Switzerland or imported into it was smuggled into foreign countries and was not actually consumed in Switzerland. Since the introduction of the monopoly this smuggling has almost ceased. Nevertheless, we maintain that the use of

distilled liquors has decreased since the law went into effect. This is confirmed not only by the opinions of competent judges from different sections of the country, but it is also indirectly shown in the figures above cited. If we should assume that the actual consumption of 1885 was the same as in 1890, that is 6.27 litres per capita, instead of 10.26, we must conclude that of 300,000 hl., which made the apparent consumption of 1885, as much as 116,825 hl., or 31,969 litres per day, were smuggled into foreign countries, which is contradictory to all probability. The smuggling into Switzerland since the introduction of the monopoly is, according to the unanimous opinion of the customs officials, quite insignificant, and in any case would not seriously affect the results given, since it would be counterbalanced by the smuggling into other countries, still existing to a small extent. The undoubted decrease of the consumption of distilled liquors, even if not exactly measurable, is so much the more fortunate, as a noticeable increase took place in former years." We estimate the actual reduction in the use of spirituous liquors at 25 per cent.

Since the purpose of the Swiss legislation was not so much to suppress the use of distilled liquors as to supplant it by that of wine or beer, we must consider the use of fermented liquors. The importation of wine increased much between 1885 and 1890. But, according to our information, these increased importations only supplied the tremendous falling off of the home production in the period named. We are inclined to think that in recent years the consumption of wine has suffered no increase, or at least no considerable increase, but that it has uniformly remained at from 55 to 60 litres per capita. With beer the case has been different. We estimate the consumption of 1885 at 36 litres per capita, that of 1890 at 45 litres, an increase, therefore, of 25 per cent. General observations lead us to believe that there has also been an increase in the fruit wines, but we cannot give even estimates of it in figures. We have, therefore, the result which for us seems a favorable one, that the use of distilled liquors has

decreased in favor of the fermented liquors containing the least alcohol, beer and fruit wines.

It would appear to us ridiculous if in such facts anyone should see an increase of the evils which we designate with the general name alcoholism. It is, on the contrary, probable, and this is confirmed by the judgment of unprejudiced men, that these evils have decreased. Unfortunately this cannot be proven by figures. In the first place the experience is so recent that the results of the alcoholism of an earlier period are necessarily not yet overcome, and, furthermore, the statistical observations in the field, at least so far as Switzerland is concerned, are, for various reasons, not of such a nature that a conclusive comparison of the former and recent years would be possible.

These statistics have been much improved of late and not least because of the agitation of recent years. If this does not help us so far as the past is concerned it will probably enable the future observer to determine whether the passions which alcohol awakes and fosters have been strong enough to break through the obstacles which philanthropy and State policy have placed in their way. We are convinced that things have changed for the better with us in recent years. It does not blind us to the fact that many evils still exist in Switzerland, nor does it blind us to the dangers which threaten that which has been accomplished. In the battle with alcohol watchfulness is essential. Such an enemy should find no breach open. We hope and expect that Switzerland will maintain not only the position which it has taken, but will strengthen and improve it. But it can do so only with full consciousness of the fact that in the struggle against the misuse of alcoholic liquors, which threatens the individual and the state in its very essence, minor interests must remain in the background, that agricultural interests in the alcohol question cannot be allowed to predominate, and that in the words of St. Chrysostom, "Wine is the gift of God; drunkenness, the gift of the devil."

Berne. W. MILLIET.

[Translated from the German manuscript of the author.]

SELIGMAN'S "SHIFTING AND INCIDENCE OF TAXATION." *

This work is one of the most brilliant contributions America has made to finance. Its solidity, logical analysis, clearness of statement, and general scientific soundness, cannot fail to procure for it a high place in economic literature.

The *object* of Professor Seligman's monograph is to ascertain the series of processes whereby the area of ultimate pressure of a tax comes to differ from the area of original pressure. We observe that some taxes are paid by one group of citizens and borne by another group. These groups are not identical, because of the shiftings or transferences of the tax. The first fall of a tax is known as the *percussion*, or "original incidence." Here the tax may stay. But in many cases, by what is known as shifting, *translation*, *repercussion*, *Ueberwälzung*, etc., the tax comes to rest upon different individuals. This final fall of a tax is its "incidence." The incidence, then, is the result of the shiftings. As a ball rolling down a flight of stairs drops from step to step till it finally rests on the landing, so may a tax, either in whole or in part, slide or slip from citizen to citizen, till at last it alights on the taxbearer.

This analogy fails us, however, in one important respect. The ball moves under the original impulse joined to force of gravity. The stair does not thus throw off the ball. But the tax is inert and does not travel. It does not slide, glance, or *ricocher*. It does not shift. It is shifted. It is thrown off by the taxpayer because he has adjusted himself to the alteration the tax has wrought in his economic environment. The shifting always presupposes economic freedom and the knowledge of how best to use it.

* On the Shifting and Incidence of Taxation. By E. R. A. Seligman. Pp. 191. Publications of the American Economic Association. Vol. VII. Nos. 2 and 3. March and May, 1892. Baltimore.

These being given, the event depends on a man's advantage of position. When a man occupies a strong economic position, so that the sacrifice attending a tax can be refused and passed on to another by an adjustment involving a slighter sacrifice, the tax will be shifted. But when a man occupies an unfavorable position, so that the cost of shifting is too great, the tax will be endured. When shifted, the tax passes from man to man until it reaches some one who cannot afford to refuse it and transfer it. On him the tax abides.

In character the investigation is economic. The laying of taxes belongs to the State, and the principles of justice and expediency it shall observe are ascertained by finance and political science. But the shiftings of taxes result from and express the reaction of industrial society under the imposed burden. They are determined by economic forces and laws, and constitute a part of the subject matter of political economy. The incidence of taxes is a problem that finance sets to economic science.

The appropriate *method* of investigation is that of deduction. The shifting depends upon the presence and strength of economic forces. In each case the key to the problem lies in the nature of the situation. We obtain our knowledge of the shiftings and incidence of taxation through our knowledge of the real economic position of the industrial classes concerned. And what is this but learning by the deductive method! The path of a tax is so difficult to follow with the eye that it is doubtful if ever the actual shiftings will be observed, recorded, and, by the statistical or the historical method, made to reveal the laws they obey. It is true we may rectify or verify a deduction by consulting admitted facts of common observation or history. But in general we must trust to our knowledge of economic laws. If the doctrine of the incidence of taxation has recently made marked advance, that advance is due not to observation, comparison, or statistics, but to our closer analysis of economic phenomena and our profounder knowledge of economic laws.

The *object, character* and *method* of the investigation have been indicated. But a clearer view of the field is needful. Shifting is not the same as evasion. The one means escape *through* transfer; the other escape *without* transfer. Evasion may be illegitimate, as in the case of smuggling; or legitimate, as when one makes some change in his occupation that will place him beyond the reach of the tax. In either case it is the government that loses, and not some other individual.

Again, we must distinguish the incidence of taxation from the effect of taxation. For example, a high tax may be prohibitive, and so have far-reaching social effects. But so long as nothing is actually paid, there could arise no problem of shifting or incidence. Or a productive tax may seriously alter the distribution of wealth, and thus effect great social changes. But these cannot fall within our discussion. The incidence of a tax must be ascertained ere the remote consequences are traced, and the ascertainment of this is the task of this monograph.

In his history of the doctrine of incidence, Professor Seligman, after touching upon the earlier doctrines, proceeds to discuss nine distinct theories of incidence.

The *physiocratic theory*, assuming rent as the sole surplus fund of society, insists that the incidence of all taxes is upon the landowner. The only tax that does not shift is the land tax. All other taxes are simply indirect methods of reaching the rent of land.

The *absolute theory*, outlined by Smith and perfected by Ricardo, rests on the postulate of free competition, the wage fund doctrine, the residual theory of profits, and the law of rent. A tax on pure rent will remain on the land. Other land-taxes, which reach down to the no-rent lands at the margin of cultivation, increase the cost of production, and so are shifted to the consumers. In so far as the consumers are laborers, the tax will, in virtue of the "iron law of wages," be further shifted to the consumer of labor, *i. e.*, the capitalist employer. The incidence of all general taxes on

agricultural produce, on wages, or on profits, is upon the capitalist. For special taxes on commodities not included in the laborer's standard of life, the rule is that they terminate on the consumer.

The *optimistic*, or *equal diffusion theory*, once in great vogue, assumes that a free society, in obedience to the promptings of self-interest, behaves as a fluid. It is conceived that industry will always take on a form such that, at any given moment, one field of activity will be as inviting as another. If, now, a tax is levied upon an economic group, emigration from that group will result until the equilibrium is thereby restored. As regards the tax falling on those who remain, it is propagated along a series of exchanges until it falls on the consumer of their products or services. There it rests. So all taxes, whatever be their form, come to be taxes on expenditure. The holders of this theory are fond of illustrations drawn from the behavior of fluids. Wealth circulates among men as the liquid in a series of communicating tubes. You may draw from one alone, but each of the other tubes contributes its share. Or a tax is like a loss of blood which, though emptying a single vein, is nevertheless borne by the whole system. The hardships of a tax spread and disappear like the disturbance caused by dropping a pebble into a lake. The pressure is transmitted promptly throughout society just as the pressure at any part of a water-bag or an air-mattress is instantly transmitted equally in every direction. But at this point the advocates of the theory differ among themselves. For some, society is not so fluid but that equal diffusion results only from a slow process involving a certain hardship. These economists regard permanence as the one thing needful in a taxing system. And so we have Canard's maxim, "Every old tax is good; every new tax is bad."

The equal-diffusion doctrine may be interpreted either favorably or unfavorably. To the optimist like Thiers, it means that every tax, no matter how great its apparent injustice, comes to bear on people according to their expenditure.

And expenditure is a just basis of taxation. To the pessimist like Proudhon, it means that since the tax is indefinitely shifted upon the consumers, the poor, who consume, are taxed, while the rich, who largely save and capitalize, escape their fair share.

The *capitalization theory* originated in the discussion of the land tax. It was observed that when a special tax is imposed on land the selling value of the land is instantly lowered by the capitalized value of the tax, and when a special tax is removed, the selling value is similarly increased. In the former case the State confiscates; in the latter it makes a free gift. As neither are justifiable, we reach the doctrine that the land tax should never be changed. But Craig showed that an alteration in the land tax is capitalized only when no similar alteration is made in the rate of general taxation. Sidgwick then extended the doctrine to "any particular kind of durable wealth of which the supply is absolutely limited." Rau held the doctrine to apply only to the excess of the land tax over the general rate of taxes, and then only in case of sale. For example, when the original proprietor, or his heirs, retain possession of the land, no capitalization of the tax takes place.

Professor Seligman finally lays down the following principle: "When a partial tax is imposed on any class of commodities to the exclusion of all other classes, whether the commodity consists of land or of any other taxable object, the tax will fall entirely on the original owner of the commodity before the tax was imposed and not on the future purchaser. . . . . When unequal taxes are levied on different classes of commodities, the excess of the tax . . . . . will be capitalized, so as virtually to exempt future owners from the surplus taxation." This theory is true, however, only when the object has an annual rental value, when demand and supply remain the same, and when the tax cannot be shifted to the consumer by reason of being used in further production. For capitalization of a tax is just

the opposite of shifting. If a tax is shifted it cannot be capitalized. If capitalized it cannot be shifted.

Excellent as is this analysis it is not quite exhaustive. The word *tax* is ambiguous, since it may mean one payment or a series of annual payments. When a tax requires a single payment only (*e. g.*, the Direct Tax of 1862), it cannot be capitalized, although it may be shifted. Or, when the tax reaches goods that will be consumed ere a second payment is made, it is not capitalized. But when a special tax reaches an object of so protracted a consumption period that several annual payments must be made on its account, these payments will in certain cases be discounted, lumped, and deducted from the selling price of the object; so that if the special tax covers ten years of the consumption period of a house, the placing of the tax depreciates the value of the house by the present worth of a ten-year annuity. If the object yields a perpetual rental or use, *e. g.*, an estate, it depreciates the value by the present worth of a perpetual annuity.

In our other discussions we sought the shiftings and incidence of a single payment. But here we have to do with the history of a tax regarded as a series of payments. And we learn that, in certain cases, future payments may be shifted back upon the initial possessor. A special and exclusive tax injures its victims in proportion to the number of annual payments they must make on their overtaxed property. And, hence, if eager to escape from the overtaxed class, they must offer an abatement in the price of their property proportionate to the number of payments yet requirable. It follows, then, that the more durable the property, the greater the shifting, and the worse is any arbitrary change in the relative rate of taxation.

Under the *eclectic theory*, Professor Seligman describes the reaction against the absolute theory and the equal-diffusion theory. Say insisted that, owing to the falling off in demand, the producer may not be able to shift *all* of a tax. Sismondi and Garnier brought out in strong colors the difficulty of

"restoring the equilibrium," and the danger of deeming it a matter of indifference where the state placed the tax burden. They showed that society has not the perfect mobility so often assumed by the diffusionists, but accommodates itself to an unjust tax only after great suffering.

Rau declared that shifting is effected by change in supply and demand, and hence is most likely to occur when the tax is uniform and general over the whole field of supply. He held that transference of taxation cannot excuse an unjust system of assessment, because the shifting is uncertain, cannot remedy local and particular inequalities, requires too much time, and often reduces both production and consumption. Prince-Smith reasons that a tax on a commodity can be shifted only through increase of price. This presupposes greater demand or smaller supply. But the producer cannot increase the demand, therefore he must reduce the supply. This requires the migration of labor and capital to other occupations. So to the body of producers the problem of shifting reduces itself to the question which is the lesser evil—to bear the tax or to limit production?

The term *agnostic theory* Professor Seligman applies to the conclusion of Adolph Held, that we can know nothing about the whole subject of incidence. It is doubtful if this doctrine deserves to rank with the really ruling conceptions, such as that of equal diffusion, or of capitalization.

The *socialistic theory*, as developed by Lassalle, asserts that where wages are still above minimum of subsistence, all indirect taxes are shifted to the shoulders of the poor.

The *quantitative* or *mathematical theory*, as developed by Cournot, Jenkin and Pantaleoni, describes a method rather than a positive doctrine. The mathematical theorists regard the subject of incidence as bound up with the general theory of value. They have usually been most successful in treating those taxes which can be regarded as part of the cost of production. By a study of supply and demand of monopolized goods and goods freely produced, of goods produced at increasing, diminishing, or constant cost, they were

able to establish a body of doctrine which is still in high repute.

With the close of this historical sketch, and previous to entering upon the special study of particular taxes, we inquire what shape the doctrine of incidence takes on in the light of later economic science.

The diffusionists, with their firm grasp on the great fundamental law, that men under the promptings of self-interest so direct their economic activities as to secure for themselves the maximum benefit, were clearly a long step ahead of those who followed the evidence of their senses in utterly ignoring the shifting of taxes. They deduced from economic law, and were justified in so doing. But their conclusions were wide of the truth, because they overlooked differences. They neglected the whole group of subsidiary and minor economic laws, which must be considered along with the fundamental law in correctly deducing the shiftings of a tax. Granting the identity of economic motives, we still have a whole series of differences of economic nature which give rise to differences of shifting, and therefore must be taken into account.

A tax is laid upon an object. But ere we can predict its transferences and incidence, we must consider the following:

1. Is the tax general or special?
2. Is the object durable or perishable?
3. Is it monopolized or freely produced?
4. Is it supplied at constant, increasing, or diminishing cost?
5. Is it produced at varying costs?
6. Does the tax reach the marginal producer?
7. Is demand for the object persistent or sensitive?
8. Is the capital engaged in producing it fixed or free?
9. Is the object a final or merely an intermediate good?

The laws hinted at by these inquiries constitute the chief gains to exact economic science within the last half century. The importance of the above differences in ascertaining the

shiftings and incidence of taxes is easy to see. If we take merely their surface significance, we reach the following principles:

1. The more general and the less exclusive the tax, the narrower the taxless field to which the producers concerned can migrate. Hence a disposition to "grin and bear" it.

2. The more durable the object, the longer the series of annual payments demanded by the tax, and the more disastrous will be the weight of future payments shifted back upon the present proprietor by the future owners.

3. If the object is monopolized, the price is not fixed by the marginal product, and hence the tax will not be shifted through suppression of the marginal product.

4. If the object is supplied at increasing cost, a greater exodus of producers is necessary in order to bring about a shifting to the consumer, than if it were supplied at diminishing cost.

5. If the object is produced at varying costs, the less efficient producers may be ruined by a tax the abler producers can readily pay. Hence the tax will be shifted not to consumers, but to the less efficient producers.

6. If by reason of partial taxation, or international competition, the marginal product is exempt, the tax cannot be shifted, since the marginal product is the price-fixer.

7. If demand is persistent, the producers will roll the tax upon the consumers through rise in price. But if sensitive, the producers will bear the tax, or else some will migrate.

8. If much capital is fixed, the shifting will be slighter and tardier than otherwise.

9. If the object is a final good, the tax once shifted to the consumers will stay there. But if it be an intermediate good used in further production, the whole case is reopened and all the above considerations may come in to determine whether or not the tax shall be shifted to the second, third, or ultimate consumer.

With these principles held firmly in mind, we can approach with confidence the problems presented by particular

taxes. There is a general complaint that, owing to the escape of much invisible city property, the American farmer is compelled to pay more than his just share of taxes. But it is often asserted that his tax is shifted to the consumers of farm products, and becomes a tax on consumption. Even if this were true, it would still be a most unjust tax, passing by wealth and capital and falling with crushing weight on the expenditure of the poor. But it is not true. No such diffusion occurs. This will become apparent from a study of the incidence of the various land taxes.

Four kinds of land taxes may be distinguished: 1. A tax on economic rent; 2. A uniform or qualitative tax; 3. A tax on produce; 4. A tax on selling value. All economists agree that a tax on pure rent cannot be shifted. Mr. George was right in his contention with Mr. Atkinson. The tax on rent, as it does not reach the no-rent land at the margin of cultivation, cannot increase the cost of the marginal product which fixes the price of produce, and thereby the height of rents. This case illustrates Principle 6.

The uniform or qualitative tax flourished in the colonies during the last century. A number of possible cases may be distinguished. Suppose the tax is uniform, say fifty cents an acre, on all agricultural land. In the case of land on the margin of cultivation, if one acre produces ten bushels of wheat, the price of wheat must rise five cents per bushel, or the land must go out of cultivation. In the former event, the rise of five cents per bushel will more than recoup the owners of more fertile lands. Such a tax will not only be shifted, but will transfer wealth from consumers to the owners of superior lands.

If the tax is not uniform, but is closely graduated to the quality of the land, the rise in price will barely recoup each farmer for his tax. Or, if the tax is graded more steeply than the fertility of the lands, the rise in price will not suffice to compensate the owners of superior lands for the tax. In this case a part only of the tax can be shifted to the consumers. Finally, if the tax does not reach

down to the inferior lands, on the margin of cultivation, there will be no rise in the price of produce, and consequently no shifting to the consumer. Principle 6 applies to this case.

The tax on produce (tithes and *vingtièmes*) is of so slender practical import to us, and has been so thoroughly discussed by Mill, that it need not claim our attention.

The tax on the selling value of land presents two cases. Either it is a part of a general property tax or it is exclusive. In the former case it is not shifted for the reason given in Principle 1. But our American property tax, through its failure to reach the mass of personalty, has become so lopsided as to be almost an exclusive tax on landed property. But even then it is not true, as the optimist insists, that the tax is so shifted and diffused throughout the community as fairly to redress the balance.

Shifting can take place only by a rise in the price of agricultural produce, and, as demand is always more or less sensitive, this is effected through some limitation of supply. This requires abandonment of whole tracts of land at the margin of cultivation. This would mean ruin for multitudes of cultivators who have sunk their capital in their farms. Rather than leave the land, they will continue farming at less than ordinary profits. And so prices remain low and the tax is not shifted to consumers.

Again, as the farmer's surplus is sold in Liverpool in competition with the produce of many countries, and our defective property tax does not reach the marginal products which fix the Liverpool price, and as by Principle 6 the price therefore cannot be raised, the farmer is unable to throw off the extra burden our tax laws place upon him.

In cities the real estate tax comes to be made up of two distinct taxes—the ground tax and the building tax—each having its own shiftings and its own law of incidence.

Personal property includes not only capital, but also wealth not used in production but held for enjoyment. A tax on the latter kind of property cannot be shifted, because the

property is not sold, and produces nothing that can be sold. And sale (of commodities, services, use of capital, etc.) is the sole agency by which a tax can be shifted. But a tax on capital or interest gives rise to several cases of incidence. An equal tax on all capital, if such were possible, could not be shifted. But it is impossible, because a tax at most is national in extent, while the field for the employment of capital is international. Again, as an equal tax on all forms of capital must be paid out of very unequal returns, it will eventually become an unequal tax. Now, an unequal tax on capital—and this is the only kind we have—gives rise to two problems of incidence. We have first to inquire the incidence as between the original owner and the new purchaser, and then as between borrower and lender.

The first problem is solved by applying the law of capitalization already formulated. When two species of capital are taxed at unequal rates, the excess of the tax for all future payments will be borne by the original owner, because it is capitalized and deducted from the price he receives for his property. The second problem is solved by the general law of shifting. The loaning of capital may be looked upon as an exchange of present goods for future goods, and the excess of the latter over the former, *i. e.*, the interest, may be regarded as the price received for the peculiar technical advantage conferred by present goods. Now, the general law is that shifting is effected through rise in price. Price in turn can rise only through increase of demand or decrease of supply. A tax on the capital in a particular state cannot, of course, increase the demand. But, owing to the mobility of capital, it may decrease the local supply. In this case the greater part of the tax would be shifted to the lenders in that state. It must be noted, however, that, even assuming perfect mobility of capital, it will be impossible to shift *all* the tax. If an insignificant locality imposed a mortgage tax upon the lender, a slight migration of capital would suffice to raise the rate of interest so as to shift the tax upon the borrower. But if a large state or

group of states taxed mortgages, there would be a double difficulty in raising the rate of interest sufficiently to shift the entire tax. The taxed area would be so enlarged that a very great migration of capital would be necessary, and the untaxed area outside would be so contracted that this migrating capital could not find profitable employment at the old rate of interest. For these reasons the migration would not be sufficient to shift the entire tax. That this truth is instinctively recognized is shown by the fact that, despite their jaunty air of indifference, money lenders offer a furious opposition to any law that levies a mortgage tax upon the lender rather than the borrower.

But it is granting too much to assume perfect mobility of capital. Migration is hindered by a "friction" due to (1) ignorance of the capitalist; (2) difficulty of removing the capital; (3) risk connected with remote investments; and (4) legal obstacles. Still less perfect, then, is the shifting of taxes from lender to borrower. And the instinct of the farmers who agitate for the just deduction of the mortgage debt is no less sound than that of their opponents.

If we regard profits as signifying the revenue which accrues from the exchange of commodities, we may distinguish four chief kinds of taxes on profits.

I. A tax varying with gross production or gross amount sold.

II. A tax varying with gross receipts.

III. A tax varying with net receipts.

IV. A tax of fixed amount.

Before discussing the incidence of any of these taxes it will be necessary to note certain economic distinctions.

Commodities must be distinguished according as they are monopolized or freely produced. In the latter case competition brings it to pass that price conforms to cost of production. In the former case, in which some one controls the actual supply, or else determines supply through his control of production, price no longer conforms to cost. Price, depending upon the will of the monopolist, no longer

conforms to cost, but is so fixed as to yield the greatest possible net profit. This price is known as the maximum revenue price.

Again, commodities may be produced at constant, increasing, or diminishing cost. In the first case the rate between cost and product is the same, no matter what amount is produced. So that if x of outlay yields y of product nx will yield ny. In the second case this ratio increases with the amount produced, so that nx will yield *less* than ny. In the third case this ratio diminishes with the amount produced, so that nx will yield *more* than ny.

Finally, let us note that, owing to differences in situation with respect to the market, differences in the possession of improved machines or technical knowledge, differences in the ability of the producer, and differences in opportunity, the supply of a given commodity includes goods of different costs. Now, if it be asserted that price conforms to cost, the question instantly arises, "Which cost?" Plainly, each good cannot be sold at its own cost, for then the price of those particular articles would be as various as their costs. In truth, there is only one cost which can permanently serve as price-fixer without soon cutting down supply, and that is the *cost* of the *marginal product*, *i. e.*, the cost of the article produced at the margin of production under the least favorable conditions. The law of competitive price is, therefore, the law of greatest cost.

Returning now to the first of the various taxes on profit, we note that it is the same as a tax on commodities, *i. e.*, equivalent to such "indirect" taxes as the custom duties, or the internal revenue duties. As each unit must pay its sum, the tax may be regarded as an increase in the cost of production. Now, the question of shifting depends upon the question of price. Can the price be raised? In the first place, if demand is persistent the price will be advanced, and the entire tax will be shifted. This is nearly true in the case of absolute necessaries and high-priced luxuries. But for most goods demand is sensitive, so that, with a rise in

price, the market is contracted. In that case there must be a migration of producers ere the tax can be shifted. But as this involves loss, the migration will be insufficient to permit the whole tax to be shifted to the consumer. The tax will be shared. Just how it will be shared depends upon the ratio of cost to product. If a good is produced at increasing cost, a lessening of supply will lower the average cost per unit. This will permit the producer to bear a part of the tax without loss to himself. The portion that burdens neither producer nor consumer represents the gain to society by checking the outlay for an article of increasing cost. If the good is produced at diminishing cost—so that the more there is produced the less is the cost per unit—a lessening of supply will mean a retreat to a higher cost level. The price must, therefore, be raised, not on account of the tax alone, but also on account of the greater cost per unit. The producer will bear little or none of the tax. The consumer may bear not only the tax, but something more. This loss that benefits one is the penalty paid by society for checking the outlay for an article of diminishing cost. We may, therefore, sum up by saying that "the degree to which the tax will be shifted will vary inversely as the elasticity of the demand, and directly as the ratio of product to cost."

In the case of an article produced at varying costs, it is possible for the tax to fall on neither producer nor consumer. Suppose an article to be produced at costs from 10 to 16. Now, if a tax of 2 is imposed, those who produce at costs 14 to 16 cannot continue in the business unless the price is raised. But the price cannot be raised, for as the inefficient producers abandon the field the economical producers will increase their output and maintain the former supply. Who, then, bears the tax on that portion of the product formerly costing from 14 to 16? Certainly neither producers nor consumers, for cost with tax included is the same, and price is the same. Here, then, is a tax that, by enabling efficient producers to replace inefficient producers, has created the wealth it claims.

So far we have considered commodities as subject to the law of competition. But the law of shifting is entirely different when goods are monopolized. Monopoly price, as we have explained, is out of relation to cost. It depends solely on the demand curve.

Now, the monopolist may increase his profits in two ways —*upwards*, by raising his price, or *outwards*, by increasing his sales; and he will fix his price at a point where the advantages of the two methods are equal, and just balance each other. If, now, a tax per unit be imposed, the balance is disturbed. If he extend his profits *outwards* by larger sales he incurs more taxes, but if he enlarges his profits *upwards* by higher prices he incurs no expense. Like the owner of a Chicago business lot, he will build high rather than wide, because height costs nothing, while width does. Whether the monopolists can shift all or only a part of a tax to the consumer depends upon the size of the tax and the sensitiveness of demand.

The foregoing discussion of the tax on sales simplifies the study of the other taxes on profits. A tax on the gross receipts from the sale of an article under the régime of competition is nearly identical with a tax on sales. But this is not true of monopolized goods. We have seen that in the former case the monopolist incurred additional taxes as he increased his sales, but not as he raised his price. But if he be taxed on his gross receipts, he will incur taxes by whatever means he seeks to swell his profits. Professor Seligman reasons that, therefore, there will be no rise in price, and consequently no shifting to the consumer. But this is an error when asserted of a monopolized good that costs something to produce. For, previous to the tax, the sole aim of the monopolist was to increase net profits irrespective of gross receipts. But afterwards he has a motive to keep his gross receipts as low as practicable. Now, if he increases his gross receipts *outwards* by larger sales, a part of the increase goes to cover additional cost. But if he enlarge his gross receipts *upwards* the increase is pure profit. A tax on gross

receipts will, therefore, lead him to lessen his sales and to raise his price, thereby shifting some of the tax to the consumers.

On the other hand, the tax on net receipts or profits cannot be shifted by a monopoly. The best fund from which to defray a tax on profits is the greatest possible profits, and this the monopolist has already secured by fixing his price at the point of maximum revenue, and so, no matter how high the tax rises, he cannot shift it. He will maintain the old price until the tax, by devouring *all* his monopoly profits, compels him to leave the business altogether.

A tax on the profits of a competitive industry may be shifted wholly or partially, but in any case not so much as the tax on sales. A tax on profits, falling as it does most lightly upon marginal producers, will not bring about so great a rise in price as a tax per unit of product.

A tax, of fixed amount such as a license, cannot be shifted by a monopoly, for the very reasons assigned in the discussion of the tax on net receipts. In the case of competition the tax is a condition to production, and may be regarded as an initial outlay. Here we might expect shifting. But as producers, whether large or small, pay the same tax, the business becomes one of diminishing cost. The large producer, therefore, rather than raise the price, prefers to capture the customers of the small producer and thus enlarge his sales. By larger business rather than by higher price will he recoup himself. In this case it is hard to see how the tax is borne, either by the consumer or by the actual producers. The consumers pay no higher price and the producers get no smaller profits than before. The truth is the tax is for a while borne by the unfortunate small producers, who are being crowded out of business, and eventually it is for the most part evaded by the reduction in the number of establishments, and hence in the number of licenses paid for.

If by wages we think of the rewards of the professional and official classes, it is plain that a general tax on wages

will not be shifted. If the rewards of these classes are customary they cannot be increased, and if they are competitive they can be increased only by migration and consequent reduction of supply. And whither would the members of the professions migrate? In fact, the superior earnings of professionals may be regarded as quasi-rents which come to them by virtue of partial monopoly, and which will not be surrendered in order to escape a moderate tax.

It has been maintained by the classical economists that a tax on the wages of ordinary labor will be shifted to profits, because wages represent no surplus, and are determined independently by the standard of living. But grave objections appear. It is assumed that laborers will not consent to a reduction in their standard of life. This, however, is a question of power between the wage-earner and the employer. The standard of living may be something above the minimum of subsistence. In this case there is a surplus upon which the tax may encroach. A class shifts a tax because it has a strong economic position. But it is quite possible that, owing to machinery or changes in production, the wage-earners may not occupy a strong position. In any case the shifting of a tax on wages presupposes a struggle and an interval of suspense, during which the laborer bears the tax. This represents an unjust burden that the state should not lay upon a single class.

A poll tax cannot be shifted except when it trenches on the margin of subsistence of the wage-earner. A tax on inheritances, bequests or gifts cannot be shifted. An income tax has the incidence of its several component parts.

This closes our study of shifting and incidence. In all cases we have sought to trace the tax to the consumer. But it may be asked, Why should not the consumer shift the tax still further? In fact, as shown in Principle 10, he does shift it when the article is consumed in production. But the final consumer cannot shift the tax, because his consuming

has nothing to do with his producing. Change his economic activity as he may, he must still bear the tax entailed by his consumption. On the final consumer, then, must all taxes terminate their course.

Shifting is a process attending social production, since it can only occur when one man produces for another. Under the earlier industrial régime, where each consumed the fruits of his own labor, shifting was impossible. Shifting is, therefore, a modern phenomenon, characteristic of a system in which each stands in an economic relation to his fellows; and as production becomes more special, as producers and consumers become more widely separated, as the line of middle-men lengthens, and as exchanges multiply, we may expect the shiftings of a tax to become ever more numerous, varied, complex and obscure. The science of finance will therefore make ever larger demands upon economic science in its effort to solve this problem. And since the problem is at present far simpler than it will be, and since the economic science that must solve it is still in its infancy, we may be sure the present doctrine of incidence is destined to undergo great changes. But the outlook is good. With the rapid transformations in our industrial system now going on there must come a redistribution of attention among the various topics of political economy; and in that redistribution there is every prospect that the subject of the incidence of taxation will be a vast gainer.

In conclusion, I would note that this book has a practical import not much inferior to its scientific import. In his quest of truth for its own sake, Professor Seligman has incidentally done a great service to tax reform everywhere. It has been the favorite manœuvre of conservators of old fiscal iniquities to picture how an originally just tax is twisted and marred by economic forces until it becomes a caricature. By an adroit use of the well-known phenomena of shifting, the reformers have been confounded, and the public led to endure time-hallowed abuses. But this book arms the tax reformer against the sophistries of fiscal

agnosticism. Now that Professor Seligman has turned on the lights, let us hope that the specious reasonings by which the bland defenders of vested interests have made the worse appear the better tax, will no longer bewilder the educated public.

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THE PSYCHOLOGIC BASIS OF SOCIAL ECONOMICS.

The object of this paper is to emphasize the distinction between that system of political economy which is based upon the actions of the human animal and that system which is based upon the actions of the rational man. The former is the prevailing system of the schools as taught under varying aspects by the Physiocrats, Adam Smith, Ricardo and Malthus. Its underlying principles are set forth in the writings of Herbert Spencer, and constitute the warp of modern individualism. The latter has, from time to time, been dimly foreshadowed by certain writers, but has never taken any scientific form except in a little known work by the present writer.

Auguste Comte recognized the influence of mind in society and placed psychology where it belongs in his hierarchy of the sciences, but he refused to give it the rank of a science distinct from biology, and classed it as a department of that science, calling it "transcendental biology." Nevertheless, in his discussions he gave considerable weight to it, laying stress on the elements of prevision and the control of social phenomena. Spencer, on the contrary, while he treated psychology at length, and assigned it the same position that Comte did, failed to make it the basis of either his sociology or his ethics, both of which, in his system, rest directly upon biology. His psychology, therefore, which, indeed, was written before his biology and largely from the standpoint of metaphysics, stands isolated and useless in his system of synthetic philosophy.

The question is whether the phenomena of social, political and industrial life rest primarily upon or grow chiefly out of the facts and laws of biology or those of psychology. It became early fashionable in the name of science to treat

the uniformity and invariability of natural phenomena displayed in the astronomical and physical world as extending also to animal life, including the operations of economic forces in society. The correctness of this view, considered in the abstract, cannot be questioned, but the economists of that time did not sufficiently understand the nature of such complicated phenomena to make them the basis of a political or industrial science. The time has scarcely come as yet when we can do more than carefully feel our way along this obscure path, but the flood of light which modern science since Darwin, has shed upon the whole domain of biology has not only pointed out the erroneous character of the prevailing mode of reasoning, but has shown at least one, and this the most fundamental source of the error which pervades it. This consists in practically ignoring the existence of a rational faculty in man, which, while it does not render his actions any less subject to true natural laws, so enormously complicates them that they can no longer be brought within the simple formulas that suffice in the calculus of mere animal motives.

While the subject, as thus outlined, is primarily a psychologic one, viz.: that of determining the true rôle that mind has played in the industrial history of the race, the question at issue is essentially an economic one. There are two distinct kinds of economics, biological economics and psychological economics—the economics of life and the economics of mind. That is to say, there are two kinds of economy which it is of the first importance sharply to contrast, the economy that prevails in the animal world, in the domain of life, in organic nature generally, and the economy that prevails in the human sphere, in the realm of mind, in the domain of reason.

Every one is now familiar with the general nature of animal economics. It is the survival of the fittest in the struggle for existence. It is the mere physics of life. Just as in the physical world and the great clash of mechanical forces the superior overcome the inferior, and what we see is the result-

ant product of the struggle, so in the great struggle of life the forms that exist are such and only such as were able to survive the ordeal. But in biology the forces are the various tendencies to grow and develop, including animal appetites, wants and desires. These are ever seeking satisfaction, and only their relative feebleness can prevent them from attaining it.

It was formerly supposed that organic nature was economical of its energies. The facts early observed that every organ is adapted to some function, and that every creature is fitted for the place it inhabits and the life it leads, were supposed to indicate a state of perfect harmony in the entire machinery of nature involving the maximum economy. Such misinterpretations were widely inculcated by optimistic writers and came at length to permeate the thought of mankind. The political economists seized upon them and made them the basis of their systems and even the great philosophers were and continue to be affected by them. Still, nothing is now better known than that the great biologic law, instead of being economical, is extremely wasteful of energy. It is indeed true that everything that is made by nature is adapted to some function or use. This follows from the genetic method of evolution. Everything that exists is pushed into existence by a *vis a tergo*. Nature only works through efficient causes. The universal life force is perpetually creating new organs and new forms, and these must be adapted to their environment, otherwise they cannot even be brought into being. But this adaptation need only reach the minimum stage. If it is sufficient to insure continuance the end is attained, though higher degrees are always being aimed at. The means, however, through which the world is kept peopled with life are far from being the most economical conceivable. They often seem to be the least economical conceivable. They are just such as all the circumstances of each case combine to produce. The cost of accomplishing a given end is wholly immaterial from a purely biological standpoint. The extravagance of nature has long been perceived

even by political economists, but they have failed to see that its admission was fatal to their physiocracy. Malthus showed that but for premature deaths population would increase beyond all bounds, and he also foreshadowed Darwin's law of natural selection by proving that this mortality was really caused by competition and the struggle for existence. We now know that in the animal and vegetable world but for this wholesale destruction of those that have been born any one species would soon overrun the earth. The cost of bringing forth one of the unfortunate beings that are destined to perish at some early period in its history is as great as that of bringing forth one that is to reach maturity and contribute to the perpetuation of the species. Consider then the enormous waste involved in this method over a method which should only bring forth the number necessary to maintain the species at its maximum or desired limit, and should preserve all that came into being until they had accomplished their mission. In oviparous creatures the destruction begins with the eggs, and to meet this, these are often produced in prodigious numbers. The sturgeon is not an abundant fish and yet the female spawns a hundred thousand ova. If all these could live, one pair would stock all the rivers of America. The number of eggs spawned by a single eel sounds too fabulous to be believed, while in the lower invertebrate world the figures grow still more astounding, as, for example, that a tape-worm should possess a billion ova. In the vegetable kingdom we encounter the same class of facts. Burst a puff-ball and the air is filled with smoke, but each element of that cloud consists of a minute spore ready to germinate if by the rarest chance it shall find a suitable habitat. Some one has been to the trouble to determine the number of spores yielded by a plant of the common mold, and reached the incredible figures of three billions, two hundred millions. But even among higher plants the same prodigality is seen. A large chestnut tree in June probably contains a ton of pollen and many pines are equally laden with it, destined to be blown by the winds and floated hundreds of miles in the

upper atmosphere. There are also many plants, like the orchid and the broomrape, which bear myriads of minute seeds, not one in many thousand of which ever has an opportunity to germinate. These are only a few examples. Everywhere in nature the vital energy is squandered in the most prodigal manner. The amount expended on any one species would, if economized, carry on half the activity of the animal or vegetable world.

No one, so far as I am aware, has attempted to formulate the true law of biologic economics. Much has been said of the law of parsimony, which is only a very subordinate one, sometimes called into exercise, but of the great law of prodigality, which is universal, no adequate definition has as yet been offered. As the law of life in organic nature does not essentially differ from the law of force in inorganic nature, it may, for the sake of brevity, be designated as *the law of nature*, with which it is important to contrast the psychologic method or *the law of mind.*

The complete law of nature is capable of being divided into two parts or members. We have seen that it is always directed toward some useful end, and that from its very nature as a genetic process it is incapable of producing any necessarily useless thing. Its products must, therefore, all possess a possible or *potential* value. This part of the law may, therefore, be expressed by the formula that *every creation of organic nature has within it the possibility of success.* Thus far the biologic law is economical. But, as we have seen, only the minutest fraction of that which is created becomes an *actual* success. The second member of the definition must therefore be framed to express this truth. The principle that underlies it may be called *the necessity for certainty*, or *the paramount importance of certainty.* It might also be called *the multiplication of chances.* There seems to be no limit in nature to the degree of energy that may be put forth in the direction of securing certainty. The chances of survival will be multiplied a thousand times in order that certainty may be made a thousand times certain. The

second member of the law, therefore, is that *in order to secure certainty the chances may be indefinitely multiplied.* The entire law may then be thus formulated: *All energy expended by organic nature results in potential utility, and actual utility is secured through the multiplication of efforts.*

The first member of this law may be characterized by the term *practical.* The second member may in like manner be called *prodigal.* Nature is, therefore, at once the most practical and the most prodigal of all economists: practical in that she never makes anything which has not the elements of utility, prodigal in that she spares no expense in accomplishing even the smallest results. Again, nature may be said to be engaged in creating every conceivable form. Every one is familiar with the wonderful variety in the actual forms of vegetable and animal life. But these, innumerable as they are, only represent nature's successes. Intermediate between them there must be imagined an infinite number of failures —conceivable forms in the production of which the organic energy has expended itself in vain—a vastly greater expenditure than that required to create all that exists. Moreover, among the successful forms there are all degrees of success. There are the vigorous and robust forms, rejoicing in a full measure of vitality and marching forward toward the possession of the earth. Then there are the weak and languishing forms, which the former class is gradually crowding out of existence. Between these there are all the intermediate grades. But the successful are only temporarily so. Like human empires they have their rise and fall, and the path of natural history, like that of human history, is strewn with the remains of fallen dynasties and the ruins of extinct races.

If the expenditure of energy be designated the *cost*, then it may be said to be a characteristic of the law of nature to exaggerate the cost of any given result. The most economical way in which a river can flow is in a straight line from its source to its mouth. But even if one were to begin in this way it would, as a result of this principle, soon

become crooked and then more and more crooked, until at length the actual distance traversed by every drop of water would be at least double that of a straight line. This physical law, which has been called the rhythm of motion, is carried into the organic world. The tendency is everywhere to exaggerate the irregularities of normal development. This goes on until it frequently results in abnormalities so great that they bring about their own extinction. Such were doubtless the strange dragons that, as paleontology tells us, inhabited the world during a certain geological period, while the more recent mastodon and mammoth and those wingless birds of the Southern Hemisphere, furnish other illustrations. In the vegetable kingdom the coal flora is full of examples. Many living plants, either through parasitism, as the Rafflesia, which consists almost exclusively of a gigantic flower, or through extreme specialization, as in the orchids and yuccas, many of which are dependent upon a single species of insect which alone has organs adapted to fertilize their flowers, further exemplify this law. Such monstrosities inevitably perish with the slightest alteration in their material surroundings. The progress of organic development has thus been to a large extent the successive creation of types that have contained within themselves the elements of their own extinction. New ones, of course, have succeeded them, adapted for the time being to their environment, but destined in turn to outgrow their conditions and perish from the same cause.

In this sketch of natural or biologic economics its genetic character has been thus far chiefly left out of view, in virtue of which, effects are always just equal to causes and never greater. The organic force is applied directly to the object to be transformed, and the forms to be created are molded into the required shape by an infinite number of minute impacts, the sum of which is represented by the transformation accomplished. No advantage is taken of any mechanical principle whereby the effect is made to exceed the energy expended. Natural selection has, indeed, evolved structures that embody

to some extent such principles. Sharp teeth and claws like edged tools represent the inclined plane, and it may sometimes be carried as far as to imitate the screw, as in the appliances which some seeds possess for boring spirally into the earth. Again, there is no doubt that the manner in which muscles are attached often affords a true leverage and greatly increases the effectiveness of muscular action. But aside from these curious cases in which natural selection seems to imitate rational design, effect throughout organic and inorganic nature is exactly equal to cause, and the result produced by living beings is proportioned to the effort put forth. No animal, for example, is ever seen to make use of any external appliance, not even to the extent of wielding a weapon, such as a club or a stone, which is not a part of its own organic structure. The beaver, indeed, builds dams by felling trees, but its tools are its teeth and no further advantage is taken than that which results from their sharpness and the way the muscles are attached to the jaws. All the warfare of animals is waged with tooth and nail, with horn and hoof, with beak and spur, and fang and sting—always with organic, never with mechanical weapons. And whatever work is done by animals is always done with tools that nature has provided through a long course of development, none of which takes advantage of any principle of physics further than as already stated.

Over against this method of nature or biological economy, let us now set the method of rational man, or psychological economy. The most patent distinction which at once strikes the mind is that the latter is *teleological* instead of genetic, and deals with final instead of efficient causes. This means that while organic forms are merely pushed into existence by the pelting of atoms from behind, and thus become fortuitous or literally chance products, human creations are conceived in advance by the rational and foreseeing mind, designed with skill for definite ends and wrought with the aid of a variety of mechanical principles by which the energy expended is out of all proportion to,

and always less than, the result accomplished. It is in rational man, therefore, that the first application of anything worthy of the name of economy is made. Nature has no economy. Only through foresight and design can anything be done economically. If nature produces nothing that may not possibly prove useful, man produces nothing that will not probably be useful. But nature creates many thousand actual failures to one actual success, while man, though he often fails through ignorance, is ever approaching a stage at which every effort shall succeed. His rivers, (canals, mill-races, irrigation trenches, etc.,) are straight, or as nearly so as true economy of construction requires, and Professor Schiaparelli has based his belief that the planet Mars is inhabited by rational beings, upon the supposed discovery of great water-ways passing across its disk in right lines.

Nature's way of sowing seed is to leave it to the wind, the water, the birds and animals. The greater part falls in a mass close to the parent plant, and is shaded out or crowded to death by its own abundance. Only the few seeds that chance to be transported by one agency or another to some favorable spot, and have the further good fortune to be covered up can sprout. The most of these even never attain maturity, and only the most highly favored live to continue the race. To meet this enormous waste, correspondingly enormous quantities of seed are produced. Such is nature's economy. How different that of a rational being! He prepares the ground, clearing it of vegetable competitors, then he carefully plants the seeds at the proper intervals so that they shall not choke one another, and after they have sprouted he keeps off their enemies, whether vegetable or animal, supplies water if needed, even supplies the lacking chemical constituents of the soil if he knows what they are, and thus secures, as nearly as possible, the vigorous growth and sure fruition of every seed planted. Such is the economy of mind.

A close analysis shows that the fundamental distinction

between the animal and the human method is that *the environment transforms the animal, while man transforms the environment.* This proposition holds literally almost without exception from whatever standpoint it be contemplated. It is, indeed, the full expression of the fact above stated that the tools of animals are organic while those of man are mechanical. But if we contrast these two methods from our present standpoint, which is that of economics, we see at once the immense superiority of the human over the animal method. First consider the economy of time. It has taken a much longer time to develop any one of the organic appliances of animals, whether for war or industry, than is represented by the entire period during which man has possessed any arts, even the simplest. Look next at the matter of efficiency. Not one of these organic appliances has sufficed to enable the species possessing it to migrate far from the region to which it was originally adapted. Man, on the other hand, without acquiring any new organic adaptations, has, by the invention of tools, by providing himself clothing and shelter, by artificial devices for capturing prey, and by other ways of transforming his environment, placed himself in position to occupy the whole earth from the Equator to the Arctic Circle, and to become the only animal that is not restricted in its habitat.

The sum total of human arts constitutes man's material civilization, and it is this that chiefly distinguishes him from the rest of nature. But the arts are the exclusive product of mind. They are the means through which intelligence utilizes the materials and forces of nature. And as all economics rests primarily on production it seems to follow that a science of economics must have a psychological basis. In fact, the economics of mind and the economics of life are not merely different, but the direct opposites of each other. The psychologic law strives to reverse the biologic law. The biologic law is that of the survival of structures best adapted to the environment. Those structures that yield most readily to changes in the environment persist.

It has therefore been aptly called the "survival of the plastic." The environment never changes to conform to the structures, but always the reverse, and the only organic progress possible is that which accrues through improvements in structure tending to enable organic beings to cope with sterner and ever harder conditions. In any and every case it is the environment that works the changes and the organism that undergoes them.

But the most important factor in the environment of any species is its organic environment. The hardest pressure that is brought to bear upon it comes from other living things in the midst of which it lives. Any slight advantage which one species may gain from a favorable change of structure causes it to multiply and expand, and unless strenuously resisted, ultimately to acquire a complete monopoly of all things that are needed for its support. Any other species that consumes the same elements must, unless equally vigorous, soon be crowded out. This is the true meaning of the survival of the fittest. It is essentially a process of *competition.* The economics of nature consist, therefore, essentially in the operation of the law of competition in its purest form. The prevailing idea, however, that it is the fittest possible that survive in this struggle is wholly false. The effect of competition is to prevent any form from attaining its maximum development, and to maintain a certain comparatively low level for all forms that succeed in surviving. This is made clear by the fact that wherever competition is wholly removed, as through the agency of man in the interest of any one form, that form immediately begins to make great strides and soon outstrips all those that depend upon competition. Such has been the case with all the cereals and fruit trees; it is the case with domestic cattle and sheep, with horses, dogs and all the forms of life that man has excepted from the biologic law and subjected to the law of mind, and both the agricultural and the pastoral stages of society rest upon the successful resistance which rational man has offered to the law of nature in these departments. So that

we have now to add to the waste of competition its influence in preventing the really fittest from surviving.

One important fact has thus far been kept out of view for final treatment in this place. Man, it is true, is a rational being, but he is also still an animal. Notwithstanding the important conquests over nature that have been recounted, he is still very far from being master of the field. The difficulty is that mind itself was developed under the influence of the purely egoistic law. That extraordinary brain development, which so exclusively characterizes man, was acquired through the primary principle of advantage. Brain does not differ in this respect from horns or teeth or claws. In the great struggle which the human animal went through to gain his supremacy, it was brain that finally enabled him to succeed, and under the biologic law of selection, where superior sagacity meant fitness to survive, the human brain was gradually built up, cell upon cell, until the fully developed hemispheres were literally laid over the primary ganglia and the cranial walls enlarged to receive them. The brain of man was thus originally an engine of competition. It was a mere servant of the will. It was only in virtue of its peculiar character, by which it was capable of perceiving, that the direct animal method was not the most successful one, even in the bare struggle for existence, that it so early began, in the interest of pure egoism, to antagonize that method and to adopt the opposite indirect method of design, foresight, calculation and co-operation.

The law of mind as it operates in society as an aid to competition and in the interest of the individual is essentially immoral. It rests primarily on the principle of deception. It is an extension to other human beings of the method applied to the animal world by which the latter was subjected to man. This method was that of the ambush and the snare. Its ruling principle was cunning. Its object was to deceive, circumvent, ensnare and capture. Low animal cunning was succeeded by more refined kinds of cunning. The most important of these go by the names business

shrewdness, strategy and diplomacy, none of which differ from ordinary cunning in anything but the degree of adroitness by which the victim is outwitted. In this way social life is completely honeycombed with deception.

The competition which we see in the social and industrial world—competition aided and modified by reason and intelligence—while it does not differ in either its principle or its purpose from the competition among animals and plants, differs considerably in its methods and in its effects. We see in it the same soulless struggle, the same intense egoism, the same tendency to exaggerate existing inequalities, the same sacrifice of the weaker to the stronger, and the same rage of the latter to possess and monopolize the earth. But, in addition to all this, the opposite principle is also in active operation. This is the law of mind making for a true economy of energy. This economy, however, is a purely individual economy and not a social or political economy. That is, it only benefits the individual, not society nor the state. The effort in each case is solely to benefit self. No account is taken of the benefit or injury of others. Usually the individual knows that it will injure others, and, therefore, in order to prevent them from checkmating him he resorts to one or the other of the methods of deception above enumerated. But oftentimes no thought is given to its effect on society, the state or other individuals.

It has been so strongly maintained that competition results in a real economy that it is worth while to consider this for a moment. The prevailing impression is that if permitted to operate freely it will necessarily keep down prices. There is no greater mistake made by economists. It tends to raise prices to their highest limit. It does this by the waste it occasions, and the price must be made to cover this waste. In the retail trade of all kinds of commodities the waste is enormous. The number engaged in it is many times greater than is necessary. This is because society has put a stigma upon productive labor, and trade is one of the principal ways of living by one's wits. Each seller must devise some

means to induce buyers to buy of him instead of his rivals. One of the principal ways of doing this is that of making his goods known to those likely to want them. From pure inertia they will buy what is brought to them before they will go after it, or they will go to a place they know of rather than hunt another. Hence, every possible means is resorted to by each dealer to advertise his business. Newspaper advertising is the most familiar way, but it is by no means the only one. Costly as it is, it probably costs less than other modes. Among these, display takes a high rank —large French glass show windows, illuminated at night, even after the hour of closing, with gas or electric lights. Add to this the necessity for locating on principal streets and paying high rentals. Posters and running agents, delivery wagons emblazoned with great letters, "opening" invitations sent to thousands, and a variety of other devices, all very expensive, are well known to all. For houses that can afford it all this is supplemented by the traveling salesman or drummer whose ubiquitous presence greets us on every railroad car and at every country hotel. Think of the enormous expense involved in this! There is a latent impression that it is in some way necessary. Yet such is not the case. All these varied modes of making known particular firms and particular goods are wholly unnecessary to society at large. Only so much is wanted and only so much will be bought. If it tends to cause more to be bought than is wanted it does harm. It is only a supposed necessity to each dealer to cause his goods to be bought instead of those of another dealer. But the consumer must pay for all this expensive rivalry. Pass by any first-class restaurant, even at the customary hour for meals, and you will see perhaps two or three persons eating in a hall that would comfortably seat fifty, in rear of which there will be ten to twenty waiters in dress coats and white gloves waiting for another guest to drop in, if perchance one should. No wonder that at such a place one must pay a dollar for a beefsteak that costs fifteen or twenty cents in the market. It is because

the business is so greatly overdone, each competing to attract more than the others. It is the same with the drug business, the cigar business, the confectionery business and a great number of other businesses.

All these are illustrations of competition under the law of mind. They are the devices of cunning persons to live without work or by some agreeable form of work, and society is regularly called upon to support them by paying in the added prices of all commodities all that the business will bear. This quality of business shrewdness, the modified form of animal cunning, resting primarily upon the principle of deception, is manifest in all forms of advertising. The chief object of an advertisement is to deceive the public and cause the belief that things are better or cheaper than they are. So well is this understood that there is no law to punish the most flagrant falsehood expressed in the form of an advertisement, and if the dupes and victims of this form of lying remonstrate, that great principle of the common law of England, *caveat emptor*, is laughingly brought forward as the all-sufficient answer.

These illustrations are drawn from one of the few departments in which permanent or at all prolonged competition is possible in society. In nearly all other departments the effect of intelligence is very different. It is mind alone that perceives that competition is wasteful, and, therefore, in the interest of the very success that competition seeks, it proceeds to antagonize it and to substitute art, science, and co-operation. By the aid of these, the success of those who use them is increased many hundred fold. Competition in society, therefore, tends to defeat itself. It cannot endure. It is at best only a transition stage. On the one hand, the competition between individuals soon takes the form of competition between machines. On the other hand it takes the form of competition between corporations. The former tendency is temporarily injurious but permanently beneficial. The latter is permanently injurious and becomes a serious menace to society. Still, it is not an unmixed evil, since it prevents the

waste of competition. Even the retail industries above referred to are coming within this law. The small houses are being swallowed up by large ones and great universal stores are growing up in all large cities. They result in monopoly but they do not increase prices, and the quality of the goods sold is far more reliable.

The social phenomenon which conforms most nearly to the pattern set in the animal world, and which is most under the influence of the law of nature and least under that of the law of mind, is human labor. Wholly unskilled labor has rarely gone beyond the stage of pure competition. In the olden time skilled labor made a step forward in the formation of guilds, but the era of machinery swept these away. At the time when the founders of the present system of political economy were writing, labor of nearly every kind was almost exclusively competitive. It is only within a few decades that it has begun to fall under the influence of intelligence, and to employ the simplest of all rational devices, that of co-operation. Capital, on the other hand, being naturally in the hands of the most sagacious members of society, has always combined and co-operated and used all the other arts of overcoming competition. The chief difference between the employers and the employed, until recently, has been that the former have used the rational method while the latter have used the natural method. But such is the power of the rational method and its superiority over the method of nature that competing labor stood no chance in the struggle with combining capital, and it was possible, to a great extent, to enforce the iron law of wages as formulated by Ricardo. And when, in recent times, labor at last began in a small way to call to its aid the psychologic economy of co-operation the step was so unexpected and seemed so strange that it was looked upon as a crime against society, and many still so regard it. Indeed, all the laws of modern nations are framed on the assumption that capital naturally combines while labor naturally competes, and attempts on the part of labor to combine against capital are usually suppressed by the

armed force of the state, while capital is protected by the military and civil authority of the state against such assumed unlawful attempts. The enormous odds against which labor struggles in its efforts to adopt and apply the economics of mind will greatly retard the progress of industrial reform, which aims to place labor on an equal footing with capital in this respect.

The evil that results from the competition of corporations lies in the fact that, as in most competition among rational beings, it is only a brief transition stage to be quickly followed by further combination. Just as competition among individuals results in corporations, so competition between corporations results in combinations of corporations. A common form of these compound corporations is that which is known as a trust. This process of compound co-operation does not stop until all engaged in a given industry are embraced in a single combination and the whole product of that industry is controlled by it. This gives it absolute control over the price of the commodity produced, limited only by the maximum that can be charged without diminishing the profits. Thus, for example, all the petroleum produced by a country may fall under the control of a single trust, and in order to secure for the members of that trust the maximum return for the petroleum, its price will be placed at the highest figure that consumers of petroleum will pay rather than return to candles or resort to gas or electricity. All monopolies rest on the same principle, and they are as common in the industries of transportation and exchange as in those of production. The railroad, telegraph and express systems fully illustrate the law, as does also the mercantile business of every country, in all of which competition is short, heated and fitful, and the result is always the same—the swallowing up the small industries by the great ones in ever-widening cycles.

Thus it comes about that nearly everywhere in human society the law of mind profoundly modifies the phenomena of industrial life and produces an entirely different class of

results from what would be produced by the operation of the unimpeded law of natural competition. Whether the competition be continued for a time, or whether it be converted into a competition of corporations, or whether, finally, it resolve itself into complete monopoly, in any and all cases an enormous artificial difference will be produced between the cost of production and the price to the consumer, and the latter will be pushed up to the maximum limit attainable without affecting profits. In the first case this artificial difference is mostly wasted in aggressive competition, its only benefit to any one being that of doubling or trebling the number of persons who are enabled to live without productive labor. In the other cases, and especially the last, this difference goes to enrich the managers of trusts and to multiply millionaires.

All this is so widely different from what we see everywhere in nature below the level of man's rational faculty that it requires the application of an entirely different set of principles from those which can be applied to irrational life. There competition is pure. It continues as long as the weaker can survive it, and when these at last go to the wall and the better adapted structures survive and triumph, it is the triumph of physical superiority, and the strong and the robust alone are left to replenish the earth. But when mind enters into the contest all genuine competition is crushed out, and while it is still, in a certain sense, the strong that succeed, it is strength which comes from superior cunning, necessarily coupled with stunted moral qualities, intense egoism, and undeveloped sympathies, and always aided more or less by the mere accident of position. In no proper sense can it be said that this class is the fittest to survive in society.

Free competition as it exists in nature would be preferable to the present industrial state, if the tendencies of the latter are to be indefinitely exaggerated, and although it is not the boon that many suppose, it is still one of the great desiderata for which society should strive. How can it be secured? Herein lies a great social paradox. Competition

is growing more and more feeble and ephemeral; combination is growing more and more powerful and permanent. And this is the result of the most complete *laissez faire* policy. The paradox, therefore, is that *free competition can only be secured through regulation*. The co-operative tendencies of the rule of mind which destroy competition can only be overcome by that higher form of co-operation which is able to stay the lower form and set the forces of nature free once more.

As was stated at the outset, the object of this paper is to show that any system of economics dealing with rational man must rest upon a psychologic and not upon a biologic basis. It may seem strange, in the light of all that has been said, that there should be any need of calling attention to this truth. And so it would be were it not that, in full view of all these facts, the only system of social economics that we possess, the only social philosophy, other than the one early referred to, that has been promulgated, completely ignores them and treats the human animal only as an animal. Not the economic writers alone, but the philosophers as well, persistently cling to the law of nature and ignore the law of mind.

The old biological economics, culminating in the law of Malthus, has broken down. Its leading tenets have proved false in practice, and in many cases truth demands that the propositions be reversed.

Darwin modestly confesses that he derived his original conception of natural selection from the reading of Malthus on population. But he did not perhaps himself perceive that in applying the law of Malthus to the animal world he was introducing it into the only field in which it holds true. Yet such is the case, and for the reason that has already been given, viz.: that the advent with man of the thinking, knowing, foreseeing, calculating, designing, inventing and constructing faculty, which is wanting in lower creatures, repealed the biologic law or law of nature and enacted in its stead the psychologic law—the law of mind.

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THE THEORY OF FINAL UTILITY
IN ITS RELATION TO MONEY AND
THE STANDARD OF DEFERRED PAYMENTS.

In the ANNALS for November, 1892, appeared a paper on "The Standard of Deferred Payments" by Professor Edward A. Ross, of Cornell University, discussing the subject principally from the standpoint of value. The detection of some errors in his discussion suggested to the present writer the need of a special study of the relation of the theory of final utility to money in general and the standard of deferred payments in particular. He will first present the results of such a study and then briefly criticise Professor Ross' article in the light of those results.

Although the orthodox conception of value regarded an economic good as embodying a greater or a smaller quantity of value, which quantity was thought to be determined by cost of production, yet the central idea was that of a relation of commodity to commodity. True, the relation necessarily existed between certain quantities—costs of production—but the relation was the principal thing. The expression of this relation was found in market values, in exchange ratios. As a general rise or fall of exchange ratios is obviously impossible, it was declared that there could be no such thing as a general rise or fall of values.

It is quite clear that the classical economists were untrue to their own conception of value as being in the first place quantity and in the second place relations of quantity. Recent writers ascribe value to utility; but I take it that they do not differ so much from the classical economists in this as they do in the fact that they do not forget what

values really are and make them relations of quantities rather than quantities themselves, that is, exchange ratios rather than the values upon whose relations exchange ratios are based.

Value is now regarded as quantity of utility—and not quantity of utility merely, but quantity of final, or marginal utility. Marginal utility being a function of human desire, which is variable, and of desire-satisfying commodity, which is also variable, marginal utilities may rise or fall either separately or all together. There is, then, such a thing as a general rise or fall of values, of the values of individual commodities; and there is also such a thing as a general rise or fall in the sum total of values, or in total value, as we shall call it. If we consider all wealth in a lump and society as the valuer of that wealth, total value is equal to commodities, measured by physical standards, multiplied by the marginal utility of commodities. Commodities are the multiplicand, marginal utility the multiplier.

Right here we meet with a most serious difficulty. Careful analysis reveals final utility or final disutility as the true unit of value.* But it is not a tangible unit, its application to the actual measurement of value is impracticable. Things undoubtedly do more or less perfectly exchange for each other in the ratio of their final utilities (to society) and we may confidently believe that society as a whole stops working and capitalizing when the disutility of production comes to equal the utility of consumption. But, until society shall become a far more self-conscious organism than it is now and its final increment of satisfaction or dissatisfaction body itself forth in clear cut definiteness, it will be impossible to measure wealth with scientific accuracy.

* See an article on the "Ultimate Standard of Value" in the *Yale Review* for November, 1892, by Professor John B. Clark. At the margin of social production and consumption the disutility of production equals the utility of consumption, so that either final utility or final disutility may be taken as the unit of value. Deeming disutility more measurable than utility, Professor Clark adopts the final disutility of the labor and capitalization of society as the ultimate unit of value.

That time may never come.* For the present at any rate economists must content themselves with more or less unsatisfactory indications as to whether values and total value are rising or falling. But more satisfactory conclusions may be reached as to the former than as to the latter. Innumerable inventions and improvements in production have led to such a multiplication of goods that their marginal utilities can hardly have failed to fall. It is argued by some, however, that these dynamic influences in production are more than offset by countervailing dynamic influences in consumption. The diversification of consumption, the genesis of new wants and the formation of complementary consumption groups ministering to [the higher nature† all operate to raise marginal utilities. "The increase of industrial efficiency," says Professor Patten, "is used in supplying new wants of greater intensity instead of supplying old wants more completely. At the same time every increase in the variety of consumption enables society to transfer its labors from the margin of production in the old occupations to new occupations. With every change in a dynamic society the marginal increment of consumption supplies a more intense want and hence marginal values of commodities rise."‡ As working with these forces may be mentioned another factor, namely, the fact that the possession of wealth is becoming more general; involving the

*But the words of Jevons are encouraging. Apropos of objections that the notions of Economics are incapable of measurement he says: "If we trace the history of other sciences we gather no lessons of discouragement. In the case of almost everything which is now exactly measured we can go back to the age when the vaguest notions prevailed. Previous to the time of Pascal who would have thought of measuring *doubt* and *belief*? * * * * * *

"There are sciences which even within the memory of men now living have become exactly quantitative. While Quesnay and Baudeau and Le Trosne and Condillac were founding Political Economy in France and Adam Smith in England, electricity was a vague phenomenon which was known, indeed, to be capable of becoming greater or less, but was not measured nor calculated: it is within the last forty or fifty years that a mathematical theory of electricity founded on exact data has been established, etc." *Political Economy*, p. 8.

†See Professor Patten's paper on the "Economic Causes of Moral Progress" in the ANNALS for September, 1892.

‡Patten's "Theory of Dynamic Economics," p. 69.

consequence that many wants of poor consumers hitherto unsatisfied are now being satisfied.

But we believe the dynamic influences tending to lower marginal utilities are stronger than those tending to raise them. Such has become the command of man over nature that wants both new and old are, compared with past provision, abundantly met. The range of consumption to-day is far wider than it was a century ago, but the supply of consumption goods, even of those created to meet new wants, is so much larger in proportion to the number of consumers that marginal utilities, it would seem, cannot but have fallen. And this offsetting and more than offsetting is likely to go on in the future as it has in the past, involving a continuous decline in marginal utilities.

But this decline in marginal utilities does not mean that total value is falling. The multiplication of goods is in all probability proceeding so much faster than the decline of their marginal utilities that total value is rising steadily if not rapidly. But a point will ultimately be reached where the rate of multiplication no longer exceeds the rate of decline. Then total value will have attained its high-water mark and will begin to recede. If goods at last become as plentiful as air and water value will vanish entirely.* This phenomenon of decreasing value with increasing goods is Wieser's "paradox of value."† But the total disappearance of value is highly improbable. To all human ken the scarcity of elementary utilities alone would prevent it.

We come now to the relation that exists or ought to exist between money and value. The proper function of money is not only to serve as a medium of exchange and thereby to register ratios between values,‡ but also to represent or indicate or reflect, not measure, values and total value. In

* Already some things are so cheap that the state pays for them and distributes them to its citizens gratis. Smart's "Introduction to the Theory of Value," p. 13.

† Wieser's *Natürlicher Werth*, pp. 18–21, 27–32. Smart in the appendix of his *Introduction* gives the substance of Wieser's discussion.

‡ Using value in its true meaning of quantity of final utility.

performing this latter function money will also perform the function of a standard of deferred payments.

The "ideal" money of the older writers was conceived in conformity with the idea of value as a relation. The function of money according to this conception is simply to express ratios of exchange. Ideal money need have no intrinsic value whatever. It is, in the language of Sir James Steuart, simply "a general, determinate and invariable scale," "an ideal scale of equal parts," "an arbitrary scale of equal parts invented for measuring the respective values of things vendible." This conception of money founded on the old idea of value as a relation still colors the thinking of writers on money. Says President Francis A. Walker in his *Money*, p. 288: "I apprehend that this notion of money serving as a common measure of value is wholly fanciful;* indeed, the very phrase seems to indicate a misconception. *Value is a relation.*† Relations may be expressed, but not measured. You cannot measure the relation of a mile to a furlong: you express it as 8 to 1." Accordingly, Walker calls money the "denominator of value" in place of the measure of value. Even Jevons, the propounder of the final utility theory of value, in discussing the function of money as a standard of deferred payments begins a sentence thus, "Bearing in mind that value is only the ratio of quantities exchanged."‡

Opposed to the conception of an ideal money founded on value as relation stands the true conception of ideal money founded on value as quantity. This latter conception is the only conception of money that accords with the subjective theory of value, a theory which makes of value final utility considered quantitatively. This conception of money is the logical outcome and the necessary complement of the final utility theory of value. If value is quantitative; if individual values can rise and fall, not only relatively, but

* We shall revert to this later.

† The italicising is the present writer's.

‡ "Money and the Mechanism of Exchange," p. 15.

absolutely; if total value can rise and fall: then the prime function of money is to represent value and to reflect accurately its every movement. It would do this, of course, through the medium of price. The prices of things would move in perfect unison with the values of things and the sum of the prices of all things, or total price, would move in perfect unison with the sum of the values of all things, or total value. Price would then be a mirror in which from year to year and from century to century men could watch the fluctuations of value, could mayhap see enacted the paradox of value.

This ideal money may seem highly chimerical.* It is so. We can approximate it only very distantly. It is, in fact, just as chimerical as the ultimate unit of value. Indeed, the chimericalness of the one is the chimericalness of the other. And, if it is competent to economists to reason about the one, it is equally competent to them to reason about the other. Sound reasoning is not invalidated because there is no immediate prospect of testing the truth of its conclusions by inductive proof.

Two conditions are essential to the complete achievement of the perfect money system. The first is the materialization, as it were, of the ultimate unit of value and its practical application to the measurement of value. The second is such regulation by government of the amount of money that prices and total price shall correspond exactly with value and total value. The first of these conditions has little hope of early fulfillment. But given its fulfillment and we could confidently predict from the growing wisdom, judgment and firmness with which governments deal with monetary problems that the second condition would ere long be fulfilled too.†

The realization of the ultimate unit of value is, as far as we can tell now, a chimera. Nevertheless, as we have

* See note, p. 93.

† The question whether the money material of the future will be something having other utility than its utility as money need not be broached here.

seen, there are indications that enable us to form more or less probable surmises as to value movements. These indications must serve the legislator, however poorly, as a guide in regulating the amount of money. It will be remembered that we concluded that total value is growing apace—and this notwithstanding marginal utilities are falling; the cause being that goods are increasing more rapidly than their marginal utilities are decreasing. It may be that bi-metallism is necessary in order that prices may not fall faster than values and that total price may keep pace with total value. But, as it is foreign to the purpose of this paper to discuss bi-metallism, there is no occasion to consider the arguments of the mono-metallists; the most germane of which to the question before us is that the use of two metals instead of one simply means a higher level of prices, but a level which can be maintained no better than the lower level which exists when only one metal is used.*

As no attempt whatever is made to secure conformity between price and (final utility) value,† the fact being that naturally no such attempt could be made before the true conception of value emerged, it is obvious that our statistics of wealth taken from time to time are not an accurate index of value movements. But for periods not too long they are doubtless worth something. The falling prices and growing wealth revealed by statistics accord in direction if not in extent with the movements in value which most probably are going on.

A money composed of the precious metals has two distinct uses from which its value arises—its money use and its commodity use. As money, its service is that of general purchasing power; as commodity, its service is that rendered by plate or jewelry or what not. Its final utility in either capacity is the same;‡ for, if this were not so, enough of it would

*See Giffen's "Case Against Bi-metallism," p. 74.

†We shall see presently that some effort is made to cause prices to correspond with what we shall designate as absolute utility value.

‡Its final utility as general purchasing power is equal, of course, to the final utility of the things it will buy.

flow from one use to the other to bring its final utility in the two together. But, its money use being its principal use, the final utility of a money composed of the precious metals is dominated by its final utility as money, by the final utility of its general purchasing power. In the case of a money composed of inconvertible paper, since it can serve no other purpose than that of general purchasing power, its final utility as general purchasing power is its only final utility.

When things exchange against each other in the market it means that their final utilities are the same.* Whence it follows that the final utility of a thing equals the final utility of the money which it brings when sold. From this the conclusion might hastily be drawn that, if we ascertain prices and total price, we ascertain also values and total value. But a moment's reflection will show the error of this. Price under our present unscientific money system is no index of value. Let us in imagination suppose the point of maximum value in Wieser's paradox of value long since passed and the zero point at the end of the downward road to no-value nearly reached. Commodities exist in almost endless profusion. If the quantity of money is in proportion to the quantity of other things, prices will be as high as ever and total price will be enormous. But values and total value are little short of nothing.

President Walker, as has been already noted, objects to money being called a measure of value. He does this because money need have no intrinsic value whatever and because, if it has, there is likely to be little correspondence between this and its exchange value. "I apprehend," he says, "that this notion of money serving as a common measure of value is wholly fanciful." "If money is to measure value, it must itself possess value, as that which measures length or capacity possesses length or capacity." It is true that, apart from its general purchasing power arising out of

* That is, their final utilities to society. If they were the same to the individual parties to the exchange, the exchange would not take place, as there would be nothing to gain by it.

its being the medium of exchange, money need have no value. And in fact our perfect money, with its amount regulated by government with scientific precision, would probably be composed of a material possessing little value until it was invested with the money power. But, although President Walker is right and money is not the measure of value, we have seen that it is or ought to be the *index* or *reflector* of value.

We have said that the perfect money in serving as the index or reflector of value would at the same time serve as the correct standard of deferred payments. It would do this because a dollar would stand for the same value one year as another. No matter how long a debt ran the repayment of the same number of dollars as was borrowed would be the repayment of the same value as was borrowed. That goods are borrowed only on account of their value, in short that it is value which is the real subject of loan will hardly be denied. In fact, what the borrower generally gets is not goods, but the representative of pure value, that is, money or credit. What particular concrete form it shall take, whether of capital goods or of consumption goods, is wholly irrelevant: the borrower is expected to restore an equal amount of value.

Professor Boehm-Bawerk claims that, because of the difference in value between present and future goods, the interest paid plus the capital sum re-imbursed only together are equal to the amount borrowed. But we assume a perfect equivalence in value between the amount borrowed and the capital sum re-imbursed. Interest we consider no part of the quantum of value which is the subject of loan, though connected, in its origin and amount, with the actual or potential use of that value in production. We shall not concern ourselves with interest except to say that, as the interest on a debt is paid in the same medium as the principal, there exists a two fold reason why the medium should have a stable value.

The justice of the debtor's re-paying to the creditor a value equal to the value received need not be defended, as it

is seldom seriously assailed.* No advocate of a just standard of deferred payments professes to hold any other ideal of justice. But many do, in effect, seek the return of other than equal value by reason of their false conceptions of value. Some, for instance, demand the re-imbursement, not of the same quantity of goods as was borrowed, but of a quantity of goods embodying the same amount of labor. This is obviously a reversion to the now rejected labor theory of value.

But a far larger number of writers, in fact the majority, hold that the creditor should get back the same quantity of goods that he lent or be paid a sum of money that would buy the same quantity of goods that the money he lent would buy at the time it was lent; which comes to the same thing. Two ways of securing this end might be adopted—the maintenance of general prices at the same level and the use of the multiple standard. Though the latter is perhaps the more feasible plan in the present state of government control of money, it is only the former that states have attempted at all to introduce. The silver legislation of the United States and the efforts made to obtain international bi-metallism are largely attributable to a desire to secure through the maintenance of a constant level of prices the liquidation of debts by the return of equal quantities of goods.

Now it probably never occurred to the champions of this standard of deferred payments, which may be called the commodity standard, that it involves a theory of value never explicitly enunciated and never implicitly assumed except by themselves. But such would appear to be the case. This theory of value corresponds with neither of the two great value theories, the cost of production theory† and the final utility theory. When a debtor returns the same quantity of goods that he borrowed there is no reason to think that he has returned the same amount of labor and abstinence

* See Prof. Ross' paper, p. 41.

† This passage assumes that the labor theory and the cost of production theory whether in its cruder or its more perfect forms may roughly be classed together.

or the same amount of final utility. On the contrary, it is pretty certain that he has not done so. Neither the cost of production theory nor the final utility theory of value is involved in the commodity standard of deferred payments. What theory, then, is involved? A theory that may be called *the absolute utility theory.*

For, barring any changes in consumption, such as the genesis of new wants, the decadence of old wants and the shifting of the emphasis of desire from one good or class of goods to another, the absolute want-satisfying power, the absolute utility of a given quantity of goods composed with reference to the prevailing standard of social consumption, remains the same; but its final utility changes with every change in production and supply. We will say nothing of the abstraction which ignores changes on the side of consumption and consider only that which ignores changes on the side of production. Let us, as the advocates of the commodity standard of deferred payments do by implication, suppose human desire to be an invariable factor in the problem of value: then absolute utility remains constant. But absolute utility is not value. To the conception of value is necessary, not only the idea of absolute utility, but also the limiting idea of quantity of commodity, of largeness or smallness of supply.* Given both ideas and we arrive at the conception of final utility, which considered quantitatively is value. But the upholders of the commodity standard have omitted altogether the limiting idea and made value the same thing as absolute utility. Even Jevons, the herald of the final utility theory, relapses into the absolute utility theory when he advocates the multiple standard. The older economists felt that the utility of a commodity had something to do with its value, but, as they did not perceive the exact significance of the plentifulness or the scarcity of the commodity, the idea of final utility escaped them. But they did not make the blunder of later economic

*Each increment added to the supply has less utility than the preceding increment. The utility of the last increment is the final utility.

writers on money and the standard of deferred payments and confound absolute utility with value. Not divining the true relation of utility to value, they based value on something else; though still recognizing a dimly apprehended connection between the two.*

We are compelled, then, to reject the commodity standard of deferred payments because it involves a false theory of value. But we have found that the use of the perfect money as the standard of deferred payments would not involve a false theory of value, but the reverse, and that it would guarantee in all loan transactions the restoration of value for value, value being properly conceived. The difficulty lies, of course, in realizing the perfect money. Yet, just so far as price movements correspond to value movements, just so far does the payment of debts by as many dollars as were borrowed approach ideal justice. That is, to the extent that existing money systems approximate the ideal money system, to that extent do they approximate the ideal standard of deferred payments. The perfect money is the perfect standard of deferred payments.

If, as seems likely, the falling prices of the present period correspond to falling values, the discharge of debts by repaying the same number of dollars as was borrowed is just. But it is just only as far as the correspondence is exact. It may be that prices are falling faster than values. If so, injustice is of course being done to debtors.

The final utility of consumption equaling the final disutility of production, value may be measured by either final utility or final disutility. Hence, it may be objected that to insist upon the return of equal value in debt-paying is to revert to something very like the old labor theory of value. To which it may be replied in the first place that the sacrifice of production has been far more carefully analyzed and

*Instance J. S. Mill when he says, "The exchange value of a thing may fall short to any amount of its value in use; but that it can ever exceed the value in use implies a contradiction; it supposes that persons will give to possess a thing more than the utmost value which they put upon it as a means of gratifying their inclinations."

correctly conceived * in the new theory of value than in the old labor theory; and in the second place that the new theory does not make value depend on sacrifice, but on final utility. It is only an incident in the new theory and not of its essence that final disutility coincides with final utility. But the third consideration is the most important: which is that with the growing productive efficiency of men the disutility of production is coming to be made up more and more, not of the direct sacrifice of labor, but of the indirect. The direct sacrifice is the weariness and exhaustion of labor itself, the indirect is the negative utility of being kept by the confinement of work from enjoying what is already produced as well as the free goods of nature. Because of this negative utility of non-consumption, which is tantamount in production to disutility, the point at which the disutility of production is equal to the utility of consumption comes earlier in the day.† Society works shorter hours.

These considerations give a new complexion to the fact that the restoration of equal value, or equal amounts of final utility, means also the restoration of equal amounts of final disutility. For we see that, if regard be had only to the actual disutility and not to the negative utility which together make up the final disutility of production, the sacrifice entailed upon the debtor in the payment of a debt with our perfect money as the standard of deferred payments would be less than that undergone by the creditor. He would

*It has been discovered that it is the pain of the last increment of labor, *i. e.*, the final disutility of labor, with which value has to do; and, morever, not the final disutility of labor to the individual, but to society, etc.

† Prof. Clark counts as part of the disutility of production this negative utility of non-consumption and considers total final disutility, thus made up, equal to final utility. Prof. Patten, on the other hand, regards the margin between direct final disutility and final utility as a surplus. "When, however, the productive power of society has increased beyond a certain point the efficiency of the workman becomes so great that the time needed to consume what he has produced cuts into the time needed for production, he ceases to work before the pain of the last increment of production equals the utility of the last increment of consumption. There is for the efficient workmen a surplus at the margin of production equal to the pleasure that could be obtained in using their time in unproductive consumption." —*Theory of Dynamic Economics*, p. 71. See also p. 57.

return a less quantity of effective disutility than he had borrowed.

Value is a social, not an individual phenomenon. And value is measured by the final utility of consumption or the final disutility of production, not of the individual, but of society.* The existence of certain ratios of exchange between a given commodity and other commodities simply means that society as a whole obtains as much pleasure from consuming the commodity as it suffers pain from producing enough of other commodities to buy it from its producer at the ruling price. But in this there is no assurance that final utility and final disutility are equal in the case of individual producers. In fact, it becomes clear on observation that the equivalence frequently does not exist. The mere preservation of life is accounted so high and men are psychologically so constructed that the final disutility of production may never exceed the final utility of consumption, even in the case of the inefficient and overworked. But it may often fall short of it. The rich or capable producer who is already well off or whose labor is above the average in productiveness does not need to suffer the discomforts of long hours. Likewise, there exists no relation of equivalence between the final increments of producer's sacrifice and consumer's pleasure in the case of those who have a monopoly either natural or artificial, either whole or partial, and whose products in consequence sell disproportionately high. The same thing is true of all who possess any peculiar advantage in production whatever it is.

The significance of these inequalities of opportunity in relation to the problem of debt-paying becomes apparent when it is remembered that debts are discharged by the requital of value for value and that it is society which values a man's product. The burden is seen to bear particularly heavy on the ill-favored producer. Although it may be claimed—and with some truth—that the ill-favored producer suffers no peculiar hardship as debtor, since the sum borrowed affords

* See Prof. Clark's article in the *Yale Review*, Nov., 1892.

him in his poverty an especially high degree of satisfaction and since he has to make no greater sacrifice in paying the debt than he would have had to make had he in the first place produced the value which instead he borrowed. But society is dynamic and the relative position of a man as producer may change between the dates of debt contraction and debt payment. So that, for instance, an unfavorably circumstanced producer deeply in debt might conceivably secure the monopoly of some product and pay off his debts with the greatest ease; and *vice versa*.

From which we see that in respect to debt-paying as well as in all other respects the existence of monopoly or the absence complete or incomplete of competition works great injustice. This is but an added reason why society should strive to obviate the inequalities of opportunity and secure as perfect competition as possible. The advantages possessed by the capable and intelligent producer, being largely due to superior natural endowment, can be only partially equalized and in the equation, final disutilty equals final utility, efficiency must be counted as final disutility in order that the equation shall be true.* But such inequalities of opportunity as are not owing to inherent differences between men it is incumbent upon society to remove as far as it can.†

Let us now examine Professor Ross' paper so far as it treats of the relation of value to the standard of deferred payments. For Professor Ross conceives that the problem of the standard of deferred payments is a problem of value. What is the nature of value and what standard of deferred payments will secure that debts shall be paid by the return of a value equal to that borrowed? "Both parties [mono-metallists and bi-metallists]," he says, "admit that the question involved is a question of justice. And as both agree that economic justice consists in the exchange of equal values it

* See Prof. Clark's article in the *Yale Review*.

† In order to obviate inequalities of opportunity society will in all probability have to assume itself the performance of certain functions of a public or quasi-public nature that are now left to individuals or corporations.

follows that the controversy finally hinges on the nature of value." In what follows we will treat as Professor Ross' the arguments he imputes to the bi-metallists; for, as the reader of his paper will observe, they are one with his own.

The chief criticisms to be brought against Professor Ross' paper are that, while avowing himself a believer in the subjective theory of value, which makes value depend on final utility, he misconceives the theory and in reality holds what we have denominated the absolute utility theory of value: that his misconception of the final utility theory and a lingering recollection of the old idea of value as simply ratios of exchange lead him to deny the possibility of a general decline in marginal utilities: and that, in admitting that under conditions of industrial progress debts should be paid by the return of "a slight excess of commodities" in order that the creditor may suffer no loss of social esteem, he virtually concedes that the relative position of the creditor should be maintained in all respects; which can be done only if the creditor receive back the value he lent. We will now address ourselves to the consideration of these criticisms.

On page 42 Professor Ross opposes "labor-value" to "use-value" in very apt language. "The one," he says, "derives value from production, the other from consumption. The one looks to cost, the other to utility." And again, "The product or good standing midway between sacrifice and satisfaction is valuable, not because it embodies past sacrifices, but because it promises future satisfactions." On the next page he writes, "This has compelled a profounder study resulting in the discovery that value is a particular utility—is, in fact, *marginal utility*." The inference that would naturally be drawn from these citations is that Professor Ross accepts the final utility theory of value. But from the express language held in certain passages and from many implications it is quite evident that it is the absolute utility theory and not the final utility theory which he holds. "The bi-metallist contends," says Professor Ross—and, as before stated, he fathers the arguments which he attributes to

the bi-metallists—"that by reason of falling prices the debtor places the creditor in command of more commodities than the original loan would purchase, whereas justice requires that the quantity of commodities lent and the quantity of commodities restored should be equal." Again, "The bi-metallist asserts that equal quantities of *goods* are of equal value, though separated by a period of time." The standard of deferred payments set up in these passages is almost in so many words what we called the commodity standard and the theory of value upheld is the absolute utility theory.

That Professor Ross confuses the absolute utility theory with the final utility theory will appear from a reading of the second paragraph on page 43, where he accuses the mono-metallists as creditors of being desirous to enforce the labor theory of value, but as monopolists of being in no wise averse to seeing the "use" theory realized in the prices of their products. No better example could be adduced than monopoly prices to show the inadequacy of the labor theory value, but neither could any better example be adduced to show that it is not absolute utility alone but absolute utility limited by considerations respecting supply that determines value; in short, that value depends on final utility. And yet to all seeming Professor Ross confounds the final utility theory of value so well exemplified in monopoly prices with the absolute utility theory of value which, perhaps without realizing the import of what he is doing, he so strenuously advocates in connection with the standard of deferred payments.

But the greatest violence done to the final utility theory is in the passage where Professor Ross denies the possibility of a general decline in final, or marginal, utilities: "Availing themselves of the new doctrine of value, the mono-metallists might claim that, as with cheapened production the abundance of goods increases, their marginal utilities must fall and hence their value. In order to restore to his creditor equal value the debtor must increase the quantity of goods or command over goods sufficiently to offset the fall in marginal utility. But this is fallacious, inasmuch as marginal

utilities are simply values and a general decline in marginal utilities is as impossible as a general decline in values." The total quantity of matter existing in one form or another may be invariable, but the quantity of it existing in shapes suitable to the satisfaction of human wants is readily susceptible of variation. As long as this is so and as long as man's wants are inconstant and liable to surfeit,* so long is the possibility either of a partial or of a general fall in values, or marginal utilities, incontestable. This passage shows Professor Ross committing the error of the earlier economists who forgot that values are primarily quantities and only secondarily and in a special sense relations between quantities, *i. e.*, exchange ratios.

Professor Ross' conclusion is that "the debtor is not to return a value measured in *labor*, nor yet a value measured in *commodities*, but a value measured in *objective utility*. And with industrial progress this is secured by a *slight excess* of commodities." In this conclusion we see a slight departure from the commodity standard of deferred payments. Professor Ross' reason for it is this: With the progress of industry and the growth of riches that portion of a man's goods "devoted to satisfying the needs of his social nature" must somewhat increase, else he will suffer loss of social esteem. That is to say, the "objective utility"† of commodities falls with the lapse of time; although for other purposes than the procuring of social esteem the same quantity of commodities affords a man "as much utility one year as another." Therefore, in the discharge of debts the debtor should return to the creditor "a slight excess of commodities" over the commodities borrowed.

This failure to adhere rigidly to the strict commodity standard of deferred payments is significant. Had the deviation only been greater, the right standard, the standard that

* In the sense that the desires for air and water are surfeited. We have already remarked that for goods as a whole this condition is very remote. But it is being perceptibly approached.

† All utility is relative to the mind of the individual or of society. All utility, therefore, is subjective either directly or indirectly.

requires the return of value for value, would have been reached. The fact is this. Wealth, which comprises all things valuable, "consists in the relative-weal-constituting elements in man's material environment."* The permanent control of the same amount of value ensures that economically a man shall at all times be in the same position relatively to other men. This position will be kept, not in respect to social esteem merely, but in all respects. The social consideration attaching to the maintenance of a certain style of living is only a part of one's general well-being. This general well-being will not be disturbed by one's having been a creditor provided only a just standard of deferred payments is enforced. And this just standard demands the requital of value for value whether or no it be the return of commodity for commodity. If the problem of deferred payments is a problem of value, no other ground is tenable.

LUCIUS S. MERRIAM.

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*Clark's "Philosophy of Wealth," p. 4.

MINUTES OF THE PROCEEDINGS.

ELEVENTH SESSION.

The Eleventh Session of the Academy was held in Philadelphia, on Tuesday, the fifteenth of December, 1891, at 1520 Chestnut Street, at 8 p. m. The following papers and communications were announced as having been submitted to the Academy since the last session:

70. By Professor E. W. Huffcut, of the University of Indiana: Jurisprudence in American Universities. Printed in the ANNALS, January, 1892.

71. By Charles Richardson, Philadelphia: Party Government. Printed in the ANNALS, January, 1892.

72. By Professor Eleanor L. Lord, of Smith College: International Arbitration. Printed in the ANNALS, January, 1892.

73. By Professor F. von Wieser, of the German University of Prague: The Theory of Value. Printed in the ANNALS, March, 1892.

74. By James L. Cowles, Birmingham, Ala.: A Rate System.

75. By Frank P. Prichard, Philadelphia: The Study of Municipal Government. Printed in the ANNALS, January, 1892.

76. By Dr. William Draper Lewis, Philadelphia: The Political Organization of a Modern Municipality. Printed in the ANNALS, January, 1892.

77. By Professor S. B. Weeks, of Trinity College, N. C.: Economic Legislation of Moses.

78. By D. I. Green, Baltimore: Value as a Quality Instead of a Ratio.

79. By Dr. A. H. P. Leuf, Philadelphia: The Present Discontent of Labor.

The president then introduced Mr. D. I. Green, of Baltimore, who read his paper on "Value as a Quality instead of a Ratio" (No. 78). Mr. Green maintained that we would make a great gain if we substituted for the exchange notion of value, a notion based on the utility of the object and its ability to satisfy human desire. He also claimed that the utility, the satisfaction, that we get from the commodity is

the same as the sacrifice, or is equal in extent to the sacrifice involved in securing the commodity.

The paper was discussed by Mr. E. T. Devine, who said, "It seems to me that what the Austrians have accomplished is the securing of a very general acceptance of the idea that value is always to be considered and always to be spoken of as a certain degree of satisfaction. As an illustration of that, they do sometimes say that we may get a measure for value in the measure of the pain we would feel if we were deprived of the article. But that is not by any means the same as to say that the utility is the same in extent and to be measured along the same line as the sacrifice involved in getting possession of the article; in other words, that the sacrifice involved in losing an article and the sacrifice involved in creating an article are the same. We gain only by totally separating those two notions of value and cost."

Professor F. H. Giddings said, "In the main I would accept Mr. Devine's criticism of the paper. But can we be so sure that we ought to separate cost and utility and base our theory of value wholly on utility, unless we can first show that utility itself is never influenced by subjective cost or the effort initially put in labor?"

The discussion was continued by Messrs. Devine, Shoemaker, Stein and Giddings.

After the discussion of Mr. Green's paper was finished, the president announced that Mr. Charles Richardson had submitted a paper on "Party Government" (No. 71) which would be read by Dr. A. B. Woodford. This paper was in the nature of a criticism of the paper by Professor A. D. Morse on "The Place of Party in the Political System," printed in the ANNALS, November, 1892. In the discussion of this paper Professor Giddings said, "I believe that parties in our political life stand not only for fundamental methods but for fundamental feelings in the citizens. There has been one distinct line of cleavage between the two great parties from the founding of the Republic, and that line of cleavage has run through municipal affairs just as

strictly as it has run through national affairs, and the party line has been drawn, not always as consciously, but usually as really, in municipal affairs as in national."

Professor Giddings then showed the main points of difference between Republican and Democratic principles. Commenting on the fact of this difference, he said, "Now, this attitude in both nation and municipality is a perfectly natural attitude. It is one you would expect to find; and I very much question whether any system of reform that ignores great natural facts of that kind will ever accomplish the work that it is desired to accomplish."

Professor Giddings was followed by Henry J. Hancock, Esq., who said that while Professor Giddings' remarks would have been very applicable to the condition of parties thirty years ago, they did not apply to the parties of to-day. He maintained that in municipal affairs, the parties did not hold the same principles as in national affairs. That there could not be in local affairs the natural cleavage into parties that there was in national affairs. Continuing, he said, "While I am strongly in favor of national parties where there is some great divergence of principle between man and man, I do not see that that reason exists in municipal affairs, where the only object is good government and where the policy which can be pursued by one party or the other must ultimately depend on what is or what is not good government."

Rev. Dr. Buoy asserted that the way to prevent evil men from obtaining office was not merely to go to the polls to vote against them, but to go to primary elections also. He was followed by Mr. Henry Baldwin. "What is absolutely necessary," he claimed, "is to instill into the minds and into the hearts of the American people the true value of citizenship. When a man knows that his power is the power that actuates and sets in motion the wheels of the state, he can and he must exercise an influence in the country for some good or for some evil." He then related some personal experiences in obtaining good nominees in New York City. In conclu-

sion he said, "I do not think that it is possible under any circumstances to make an organization that will be independent of either one or the other party. Sooner or later your organization will be swallowed up either by one side or the other."

The final paper of the evening was read by Dr. A. H. Leuf, of Philadelphia, on "The Present Discontent of Labor" (No. 79).

TWELFTH SESSION.

The Twelfth Session of the Academy was held in Philadelphia, on Thursday, January 26, 1892, at the New Century Club, at 8 p. m.

The secretary announced that the following papers had been submitted to the Academy:

80. By E. J. P. Williams, Macon City, Mo.: The Food Supply of the Future.

81. By Sara L. Oberholtzer, Norristown, Pa.: School Savings Banks. Printed in the ANNALS, July, 1892.

82. By Vicomte Combes de Lestrade: Le Socialisme municipal à l'Exposition de 1889.

83. By Aaron W. Field, New Marlboro, Mass.: The Status of the Poor under the Mosaic Civil Law.

84. By Professor Chas. DeGarmo, of Swarthmore College: Ethical Training in the Public Schools. Printed in the ANNALS, March, 1892.

85. By Dwight M. Lowrey, Philadelphia: The Basis of Interest. Printed in the ANNALS, March, 1892.

86. By Michael A. Mikkelsen, Baltimore: Electric Street Lighting in Chicago. Printed in the ANNALS, March, 1892.

Professor F. H. Giddings presided and introduced the speaker of the evening, Dr. Charles DeGarmo, President of Swarthmore College. Professor DeGarmo read a paper on "Ethical Training in the Public Schools" (No. 84). This paper was discussed by Professor Paul Hanus, of Harvard University, who said, "I have little faith in subjective morality. It has been settled that man was intended to be useful and moral instruction must follow with other reforms which we are adopting. Teachers will always follow the demands of

the communities in which they are located and it is necessary that practical ethics receive proper attention in the schools."

Professor Edward Brooks closed the discussion. Speaking from a practical standpoint, he said that ethical education in the public schools was of the highest importance; the moral idea is the very foundation of civilization, it is the keystone of the arch, and no nation based solely upon science and learning ever survived. "Moral training does not necessarily consist in reading the Bible; the best moral lesson is imparted by teachers who possess the higher morals, and, while some would abolish the women teachers in the public schools, the moral influence of a good, pure, noble-minded woman cannot be over-estimated."

After Professor Brooks' remarks, Mr. Stuart Wood read the following resolutions which a member of the Academy had asked him to present at this meeting:

Resolved; That the American Academy of Political and Social Science is desirous that International Arbitration shall be the resource of government for the settlement of all disputes that may arise between nations.

Resolved; That a peaceful solution of the present disagreement between the Republics of Chile and the United States should be sought by all means consistent with honor.

Resolved; That a copy of these resolutions shall be presented by the president and council of the Academy to the President of the United States.

These resolutions were adopted by the Academy and the secretary was directed to send them to the President of the United States.

THIRTEENTH SESSION.

The Thirteenth Session of the Academy was held in Philadelphia, on Friday, February 26, at the New Century Club, at 8 p. m. The following papers were submitted to the Academy since its last meeting:

87. By Walter S. Allen, Boston: The State and the Lighting Corporations. Printed in the ANNALS, March, 1892.

88. By Charles Richardson, Philadelphia: Party Government (Second Paper). Printed in the ANNALS, March, 1892.

89. By Isaac A. Hourwitch, New York City: The Condition of the Peasants in Russia.

90. By R. T. Colburn, Elizabeth, N. J.: A Needed Reform in the Code of Inheritance.

91. By Professor F. W. Blackmar, University of Kansas: Indian Education. Printed in the ANNALS, May, 1892.

92. By Professor John R. Commons, Oberlin, Ohio: Proportional Representation. Printed in the ANNALS, March, 1892.

93. By C. C. Binney, Philadelphia: Merits and Defects of the Pennsylvania Ballot Law of 1891. Printed in the ANNALS, May, 1892.

94. By Richard H. Dana, Boston: Practical Working of the Australian Voting System in Massachusetts. Printed in the ANNALS, May, 1892.

The Australian Voting System was the subject of the evening. Papers were read by Mr. Richard Henry Dana, of Boston, on "The Practical Working of the Australian Voting System in Massachusetts" (No. 94), and by Mr. Charles C. Binney, of Philadelphia, on the "Merits and Defects of the Pennsylvania Ballot Law of 1891" (No. 93).

In the discussion which ensued, Mr. Hiram De Walt showed how the Pennsylvania law tended to disfranchise the Prohibitionists. Ex-Judge Amos Briggs also spoke of the law in relation to its effects upon the Prohibition party.

FOURTEENTH SESSION.

The Fourteenth Session was held in Philadelphia on Tuesday, April 5, at the New Century Club, at 8 p. m. The following papers were submitted to the Academy since the Thirteenth Session:

95. By B. A. Ulrich, Chicago: How to Improve the City.

96. By Professor George P. Garrison, of the University of Texas: The Santificationist Community of Belton, Texas.

97. By A. C. Campbell, Montgomery, Pa.: Freedom of Trade between Canada and the United States.

98. By Rev. G. Bruce, St. Johns, N. B.: Corporations *vs.* Statutory Laws.

99. By William G. Taylor, New York City: The Colleges and the Politician.

100. By W. F. Crispin, Buchtel, O.: Political Regeneration.

101. By W. M. Rapsher, Mauch Chunk, Pa.: The Power of Removal from Office on Address in Pennsylvania and other States.

102. By J. Müller, Christiania, Norway: A Brief Statistical Survey of the Public Education in Sweden during 1888–89.

103. By Professor E. P. Cheyney, of the University of Pennsylvania: A Third Revolution. Printed in the ANNALS, May, 1892.

104. By Mr. L. K. Stein, Philadelphia: The Relation of the Street Railways to the City of Philadelphia.

The first paper was read by Professor E. P. Cheyney, of the University of Pennsylvania, on "A Third Revolution" (No. 103). The second paper was read by Mr. L. K. Stein. It treated of "The Relation of the Street Railways to the City of Philadelphia" (No. 104).

After giving a review of the growth of the street railways in that city, he said it was high time that their relations to the city should be clearly defined, and it ought to be decided whether the community merely existed for the convenience of those companies or the companies for the convenience of the community.

He discussed the revenue derived from the companies by the city and the relation of these to public improvements and gave a history of the taxes imposed upon the companies. In the matter of a license tax he showed that the companies, as a whole, never fulfilled their duties to the city, nor did the city, until recently, make any determined effort to secure her rights. He said that, on account of the license tax, the corporations had not increased the number of their cars in proportion to the increase of passengers carried.

Mr. Stein also discussed the general property tax, the dividend tax and the tax on gross receipts and corporation stock. He then took up the obligations of the company to pave and repair the streets, stating that it was easily explained why Philadelphia was one of the worst paved cities in the world.

A general discussion followed Mr. Stein's paper. Among those who took part in the discussion were Mr. Porter F. Cope, Mr. Finley Acker, Mr. W. G. Cooper and George G. Mercer, Esq.

FIFTEENTH SESSION.

The Fifteenth Session of the Academy was held in Philadelphia, on Friday, May 13, at the New Century Club, at 8 p. m.

The secretary announced the following papers, which had been submitted to the Academy:

106. By B. F. Hughes, Philadelphia: The Basis of Interest. Printed in the ANNALS, July, 1892.

106. By Sara Winthrop Smith, Seymour, Conn.: Women Citizens under the Laws of the United States.

107. By Rev. W. W. McLane, New Haven, Conn.: Land Tenure.

108. By Frank I. Herriott, Baltimore: Sir William Temple on the Origin and Nature of Government. Printed in the ANNALS, September, 1892.

109. By J. Albert Whitelock, Cape May Court House, N. J.: On the Importance of Civic Education.

110. By Leo S. Rowe, Berlin: *Propriété Bâtie* in France.

Mr. Frank I. Herriott, of Baltimore, read a paper on "Sir William Temple on the Origin and Nature of Government" (No. 108).

Mrs. Sara L. Oberholtzer then read a paper on "School Savings Banks" (No. 81). Mrs. Oberholtzer's paper was discussed by Professor Phillips, of the Normal School at West Chester, Pa.

Mr. Horace I. Smith made an address on "Postal Savings Banks." He gave a short history of the postal bank system and spoke of its success in England, France, Belgium, Switzerland, Canada and Japan. He was followed by Rev. Henry M. Phillips, who made an eloquent plea for the adoption of some device to induce people to save.

PERSONAL NOTES.

AMERICA.

University of Pennsylvania,—Wharton School of Finance and Economy.—Dr. Roland Post Falkner,* Associate Professor of Statistics in the Wharton School of Finance and Economy, has been chosen Secretary of the United States Monetary Commission which represented the United States at the International Monetary Conference at Brussels, beginning November 22, 1892. Dr. Falkner was born April 14, 1866, at Bridgeport, Conn. He entered the Philadelphia Central High School in 1879, and was graduated in June, 1883, with the degree of A. B. He then entered the Wharton School of Finance and Economy of the University of Pennsylvania, from which institution he received the degree of Ph. B. in 1885.

He took the degree of Ph. D. at Halle in 1888. In 1891 he was chosen Statistician of the Senate Sub-Committee on the Tariff—a position which he still holds.

At the time of the organization of the American Academy of Political and Social Science, December 14, 1889, Dr. Falkner was chosen its corresponding secretary, and he still holds the office. He has also been an associate editor of the ANNALS of the Academy since its first issue, July, 1890.

Dr. Falkner is a member of the American Economic Association, member of the Council since 1890; of the American Statistical Association, being one of the Publication Committee since 1891; of the National Prison Association, assistant secretary since 1890; of the Pennsylvania Historical Society; International Criminal Law Association, and American Association for the Advancement of Science. Besides the works previously mentioned in the ANNALS,* Dr. Falkner has published:

"*Statistics of Private Corporations*," Publications of the American Statistical Association, No. 9, March, 1890.

"*Academic Instruction in Political and Economic Science in Italy*," ANNALS OF AMERICAN ACADEMY, April, 1891.

"*Criminal Statistics*," Publications of the American Statistical Association, No. 15, Sept., 1891.

"*Proposed Statistical Legislation*," Publications of the American Statistical Association, No. 17, March, 1892.

* See ANNALS for July, 1891, Vol. ii., page 108.

"*Statistics of Prisoners, 1890,*" 8vo, 56 pp. Wardens' Association of United States and Canada, 1892.

"*Retail Prices and Wages,*" Report of Statistician of Senate Sub-Committee on the Tariff. Senate Report 986, Fifty-second Congress. 8vo, 90 pages.

"*The Theory and Practice of Price Statistics,*" Publications of the American Statistical Association, June and Sept., 1892.

"*American Economic Association,*" ANNALS OF THE AMERICAN ACADEMY, Nov., 1892.

Nicholas Paine Gilman, whose name is so prominently identified with the subject of profit sharing, was born December 21, 1849, in Quincy, Adams County, Illinois. His early education was obtained in the public schools and academies of Maine and New Hampshire, and at the Harvard Divinity School from which he was graduated in 1871. From 1872 till 1884, with the exception of the time between 1878–1881, when he was professor in Antioch College, he was pastor of the Unitarian Churches in Scituate, Bolton and Wayland, Mass. Mr. Gilman was associate editor of the *Unitarian Review*, of Boston, 1885–1890, and has been editor of the *Literary World*, of Boston, since 1888. When the *New World*, a quarterly review of religion, ethics and theology, was established in Boston, March, 1892, Mr. Gilman became its editor and, at the founding of the Association for the Promotion of Profit Sharing, he was chosen secretary and made editor of the *Employer and Employed*, the quarterly journal which is the organ of the association. Since 1884 Mr. Gilman has resided in West Newton, Mass., and is entirely occupied with his editorial and literary work. His published works comprise:

Various articles on religious, theological and social subjects, published since 1877 in the *Unitarian Review*, the *Forum*, the *Arena*, the *New England Magazine* and the *New World*.

"*Profit Sharing between Employer and Employed: A Study in the Evolution of the Wages System.*" pp. 460. Boston: 1889.

"*The Law of Daily Conduct.*" pp. 149. 1891.

"*Socialism and the American Spirit.*" [To appear early in 1893].

AUSTRIA.

Vienna.—On October 3d, 1892, the Austrian statistician Hugo Franz Brachelli died. He was born at Brunn, in Moravia, on February 11, 1834. He studied philosophy, law and political economy at the University of Vienna, and applied himself also to statistical and geographical investigations. He published his first work at the age of nineteen. In 1855 he received an appointment under the Austrian statistical bureau. In 1860 he was made Extraordinary Professor, and

three years later Ordinary Professor of Statistics and Administrative Law at the *École technique superieure* of Vienna. When the government started its new military schools, Professor Brachelli was put in charge of the instruction in statistics and Austro-Hungarian Public Law. In February, 1872, he entered the Austrian Ministry of Commerce with the position of Councillor of the Government and President of the new Department of Statistics. He took a leading part in the statistical conferences which were held in the principal European cities during the years 1877–'81.

His works relate chiefly to statistics and political geography. They are very numerous; many of them were issued in the from of government reports. The following are his principal works:

"*Die Staaten Europas, Vergleichende Statistik.*" Brünn, 1853. Fourth edition, 1884.

"*Deutsche Staatenkunde,*" 2 vols. Vienna, 1856–57.

"*Statistik der österreichischen Monarchie.*" Vienna, 1857.

"*Abriss der Geographie.*" Brünn, 1862.

"*Dressig Statistische Tabellen über alle Länder und Staaten der Erde.*" Leipzig, 1862; supplement to the above, 1867.

"*Statistische Skizze der europäischen Staaten.*" Leipzig, 1873. Tenth edition, 1885.

"*Statistische Skizze der österreichisch-ungarischen Monarchie.*" Leipzig, 1873. Second edition, 1887.

"*Statistische Skizze der Ost-und Nordeuropäischen Staaten.*" Leipzgi, 1873. Sixth edition, 1887.

"*Œsterreichs commercielle und industrielle Entwickelung in den letzten Jahrzehnten.*" Vienna, 1874. (This work was prepared by Professor Brachelli and M. Migerka.)

"*Statistische Tabellen, 1877.*" Leipzig, 1877.

He also contributed the following articles to the "*Handbuch der Geographie und Statistik,*" of which he was an associate editor:

"*Osman. Reich und Griechenland.*" 1858.

"*Œsterreich.*" 1861.

"*Preussen und die deutschen Mittel-und Kleinstaaten.*" 1864.

"*Schweiz.*" 1870.

"*Italien.*" 1871.

GERMANY.

Göttingen.—The celebrated German writer on Roman Law, Prof. Rudolph von Ihering, died on September 17th last.

He was born at Aurich, in Hanover, August 22, 1818. He studied at the Universities of Heidelberg, Munich and Göttingen, and then attended the lectures of Savigny and Stahl, at Berlin, receiving in 1842 the degree of *Docteur en droit.* In 1845 he was called to the

Professorship of Roman Law at the University of Bâle. Next year he became a Professor at the University of Rostock. From there he went to the University of Kiel in 1849, the University of Giessen in 1852, the University of Vienna in 1868, and finally, in 1872, to the University of Göttingen, where he was made Professor of Roman Law, a position he held at the time of his death. On account of his services to science he was made a member of the hereditary nobility of Austria and a secret councillor of justice.

His writings were chiefly on legal subjects. His greatest work was his "*Geist des römischen Rechts*," which first appeared in 1852. This is the best work on this subject since Savigny's, and has been translated into French, Russian and Italian. As editor of the *Annuaires de la connaissance du droit romain et du droit privé allemand*, he contributed many articles to that publication.

His principal works are as follows:

"*De Hereditate possidente.*" Leipzig, 1842.

"*Abhandlungen aus dem römischen Recht.*" Leipzig, 1844.

"*Civilrechtsfälle ohne Entscheidungen.*" Leipzig, 1847. Fifth ed., Jena, 1888. The second part of this book was published separately under the title of "*Jurisprudenz des täglichen Lebens*," in which form it went through many editions, and was translated into Italian and Hungarian.

"*Geist des römischen Rechts.*" Leipzig, 3 vols., 1852–'65. 4 vols., 1878–'88. Translations of this work were published in French, Italian and Russian.

"*Ueber den Grund des Besitzesschutzes.*" Jena, 1868. Second ed., 1869. Translated into French and Italian, 1875.

"*Der Kampf ums Recht.*" Vienna, 1872. Eighth ed., 1886. Translated into French, Italian, Dutch, Russian, Hungarian and Greek.

"*Der Zweck im Recht.*" 2 vols. Leipzig, 1877–'83. New ed., 1884–'86.

"*Vermischte Schriften.*" Leipzig, 1879.

"*Gessammele Aufsätze.*" 3 vols. Jena, 1881–'86.

"*Scherz und Ernst in der Jurisprudenz, eine Weinachtsgabe für das juristische Publikum.*" Jena, 1885.

"*Die Gastfreundschaft im Allerthum.*" Deutsche Rundschau, 1887.

"*Der Besitzsitte*, 1888.

Dr. Adolph Soetbeer died October 23, 1892. He was born in Hamburg, November 23, 1814, and took the degree of Doctor of Philosophy at the University at Goettingen. On the completion

of his university studies he entered the education department of the government of Hamburg. A brochure of his on "*The Origin, Progress and State of the Tolls at Stade,*" attracted much attention and secured him, 1840, the position of librarian of the Commercial Library of Hamburg. In 1843 he became secretary and councillor of the Hamburg Deputation of Commerce, in which position he was engaged in compiling works relating to the commerce of Hamburg. The merit of his work gained him the honorary degree of Doctor of Laws from the university at Kiel. The confused state of German coinage at that time and its detrimental effects on the commerce of Hamburg led him to publish a pamphlet on "*The Hamburg Coinage,*" in which he took the position which he occupied until his death, in favor of a single gold standard. He has been called "the father of German gold coinage." In 1872 he was made an honorary professor in the university at Goettingen. Professor Soetbeer's labor was devoted chiefly to the study of the coinage question, on which subject he ranks among the first authorities. He believed in a gold standard, but regarded the present decline in the value of silver as a commercial misfortune. His plan is the adoption of one gramme of fine gold as an international unit of value, the coinage of gold to be free, on payment of a seniorage, but no gold coin containing less than 5.8065 grammes of pure gold to be minted. All nations are to coin silver in the ratio of twenty to one, but its coinage is not to be free.

Professor Soetbeer's principal works are:

"*Des Stader Elbzolls, Ursprung, Fortgang und Bestand.*"

"*Das Hamburger Münzwesen.*"

"*Commentare zum deutschen Münzgesetz und dem deutschen Bankgesetz.*" Erlangen, 1874–76.

"*Edelmetallproduction und Wertverhältniss zwischen Gold und Silber seit der Entdeckung Amerikas.*" Gotha, 1879.

"*Translation of Mills' Political Economy.*" Fourth edition. Leipzig, 1881. 3 vols.

"*Materialien zur Erläuterung und Beurteilung der wirtschaftlichen Edelmetallverhältnisse und der Währungsfrage.*" Second edition. Berlin, 1886.

"*Litteraturnachweis über Geld und Münzwesen, insbesondere über den Währungsstreit, 1871–91. Mit geschichtlichen und statistischen Erläuterungen.*" Berlin, 1892.

BOOK DEPARTMENT.

EDITED BY

ROLAND P. FALKNER and EMORY R. JOHNSON,

WITH THE CO-OPERATION OF

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Winthrop M. Daniels, ... *Princeton University.*
John H. Gray, ... *Northwestern University.*
David Kinley, ... *University of Wisconsin.*
H. H. Powers, ... *University of Wisconsin.*
Edward A. Ross, ... *Cornell University.*

REVIEWS.

La Caisse d'épargne et de prévoyance de Paris, Origine, Histoire, Legislation, 1818–1890. Par E. BAYARD. Pp. 402. Paris: Hachette et Cie., 1892.

The author is general agent of the Paris *Caisse d'épargne*, and familiar with its history and workings. He has given us a painstaking and minute history of this savings bank and, incidentally, some knowledge of savings banks in general throughout France. Not an inconsiderable portion of this history has taken place under his own eyes. Not the slightest detail escapes his attention, the death of a director, the opening of a new branch, resolutions of approval by public bodies of all kinds—all these things are recorded in the work with such fidelity that one is forcibly reminded of the monographs of Le Play and his followers. Like them, the author lends an interest to his work that is reflected from his own enthusiasm. Like them, he deluges the reader with a mass of facts, which instead of elucidating often obscure the main issues.

The history of savings banks usually follows a certain well-defined type. There is at the outset considerable enthusiasm for the foundation of the bank as a philanthropic effort. Well-to-do citizens lend their aid and the services of the bank are given gratuitously until the growing volume of its operations requires paid assistants. At first the bank is oftentimes opened for a short time each week, but with enlarged business it requires the usual business hours. Then times of commercial and political disturbance come, great concern is felt in the governing body, but the bank survives the storm. Its deposits indeed fall off, but withdrawals are never so numerous as anticipated.

Such times are not adapted to encourage the spirit of saving, but where it has once been firmly planted it is hard to uproot it. Such is the history of nearly every successful savings bank, and that of Paris is no exception to the rule. The founding of the bank, and its experiences during the Franco-Prussian War, which the author has described with great detail, are excellent illustrations of the type.

Peculiar to the Paris savings bank especially are its centralization and its intimate relations to the national finances. Spread over Paris there are innumerable branches of the parent institution, and the author gives us no intimation that other savings banks are to be found in the city. A single institution has met the needs of the city, and from small beginnings has grown until, in 1890, it had 600,000 depositors, with nearly 150,000,000 francs to their credit. Indeed in its earlier history the governing body had to withstand a large pressure to establish branches outside of the capital. Otherwise the whole savings banks system of France, which to-day comprises 543 institutions with five and a half million depositors, might have been concentrated in a single institution.

The funds of the savings bank have been invested since its origin in the public debt of France. This has brought about intimate relations with the administration of the public debt. It has made the banks, in a greater degree than elsewhere, public institutions. The hand of the government has not infrequently interposed in their operations, and yet at no time has their independence or efficiency been thereby impaired. A generous recognition of the valuable social services of these bodies by the government has prevented the latter from turning them aside from their proper functions.

R. P. F.

TWO ITALIAN WORKS ON THE STATE.

Lo stato moderno. Pel Professore ATTILIO BRUNIALTI, Deputato al Parlamento. 8vo, pp. cxl. Torino: Unione Tipografico-Editrice, 1891.

Lo stato e la chiesa in Italia. ATTILIO BRUNIALTI. 8vo, pp. cccxxv. Torino: Unione Tipografico-Editrice, 1892.

The former of these two works deals with the general theory of the State; the second is a study of a concrete problem. In *Lo stato moderno*, Professor Brunialti proposes a strictly scientific treatment of his theme, and to this end divides his book into three parts. In the first he traces the development of the State itself and the changes wrought in it by the great events of history; in the second he criticises the more important doctrines or theories of the origin of the State; and in the third he examines the State as it at present exists.

In following out his plan, Professor Brunialti gives evidence of an extremely wide range of reading. He emphasizes the influence of Aryan character upon the political evolution; touches upon Semitic, Greek and Roman institutions; points out the centralizing influence of Christianity or the Church; and shows how the Teutonic individuality tempered the prevailing despotism. The Protestant Reformation, in his opinion, had little significance for the development of political institutions, while the English Revolution marks the first appearance of the modern State, as the American Revolution marks its complete realization.

There is, says Professor Brunialti, a vital connection between the various doctrines or theories as to the origin of the State. The theocratic doctrine is shown to have been much modified by the latest of its adherents. The social contract naturally comes in for a more detailed discussion; and its pretensions as a sufficient explanation of the genesis of the State are denied on the well-known historical and logical grounds. The theory which makes the State the product of man's enlightened reason finds no acceptance with the writer. It is those who regard the State as an organic growth that are nearest the truth.

Having in the third part very briefly answered why and how the State exists, the author passes to a careful examination of the essential and the secondary elements of the modern State, to a contrast between the notions of State and Nation, and to a discussion of sovereignty. Last of all, the conformity of Italy to the ideal of the modern national State is suggested.

It is, of course, not Professor Brunialti's purpose to give within the narrow compass of 140 pages an exhaustive discussion of so great a subject. His aim is evidently to present a brief outline of the science. This being held in mind, there can be little doubt as to the merits of the work. In the first place, the style is delightfully clear. While the statements are necessarily concise, they are at no time obscure. In this important respect the book is fully up to the high plane of the other works which come to us from the same country.

The spirit and general method of the present work are such as Professor Brunialti's earlier writings on related subjects would lead us to expect. The position taken is in general much the same as Bluntschli's; in fact, at points the treatment is Bluntschli's, even to details. The writer is broad, progressive and liberal, without being revolutionary. He finds none of the great thinkers entirely at fault, and gives to each his part in the gradual evolution of the truth. Of his liberality and fairness there is evidence in the passages wherein he pays high praise to England and America for their part in helping on

the realization of the modern national State. Of his insight, the best illustrations are found in his criticism of the social contract, and in his most interesting characterization of the modern State. It is especially gratifying to American readers to find him familiar with our own political history.

No doubt every reader will be able to find what to him will appear imperfections in the form and proportion, or in the treatment. It might, for instance, seem that one who professes to make his work above all else scientific, and who ought, therefore, to take his material as he finds it, does wrong to deny to Austria and Russia the quality of States. "States held together by force of dynastic and diplomatic interests, by the laws of the balance of power, may be and are States for diplomacy and politics, but not for science." Indeed, our author himself admits that he may unconsciously have had Italy before him as his type or model. It might again be thought that there is too little of the writer's own estimate of conflicting opinions, and that the important notion of sovereignty is treated all too briefly. But all this depends upon the reader's individual fancy; and it is quite likely that Professor Brunialti's scheme will raise fewer of these minor objections than would any other that might replace it. The fact remains that the little book has great merit. It is sound and readable. As an epitome it cannot easily be bettered.

The temper in which Professor Brunialti approaches his study of the Church in Italy is fairly indicated by the motto which he places on his title page: "*En ces délicates matières chacun a raison par quelque côté.*" The ground is prepared for his special study by a brief but excellent summary of the various systems of relation between Church and State. The subjection of the Church, or, more properly, its identification with the State, and its supremacy over the State, have in turn yielded to a better system, the separation of Church and State. The word separation must, indeed, be taken with limitations; it must not be understood to imply a complete severance of all relations. Both the interests of the State and the success of the Church demand that there shall be more or less of mutual relations; each must take account of the activity of the other. But with these limitations the separation is a necessity of modern times.

The complicated relations between the Roman Church and Italian States through the long centuries of disunion and foreign domination are briefly summarized; and the steps by which the unification of the peninsula was at last brought about are followed with care.

It is with the annexation of Rome that the relations of the Church and the new nation assume their greatest interest; and it is, accordingly, with this recent history of his subject that Brunialti deals at

greatest length. The tone of the work is here that of the highest patriotism. Each measure whereby the State strengthened its new position is carefully weighed. The unification of Italy is the supreme necessity before which all other considerations must give way. The position of the government in matters of religion is that of neutrality; yet the pre-eminence of the Catholic religion is assumed. The limitations placed upon the clergy are matters of expediency. The introduction of civil marriage, the abolition of church tithes, the reorganization of church property, the liberation of the press, the reformation of the religious associations and of popular education, all these are measures compelled or justified by social, political and economic considerations, and they imply no antagonism to the Roman Church.

As a whole it is an able plea for Italian nationality. That Italy can and must retain her dearly-bought rank as a "modern national State," he is fully assured, and any tradition, custom, or law that threatens her welfare should not be cherished. He can face with perfect calmness the possibility of the Pope's permanent withdrawal from Italy, even from Europe. Yet he has no bitterness toward the Roman Church as such. He insists that the differences between Italy and the Pope are political, not religious. He urges forcibly and eloquently the high importance of compromise and harmony between the Vatican and the State, a compromise in which each of the rival powers shall be limited to its own proper field; but he sees in the present attitude of the Church little encouragement to hope for an early agreement. With the reforms which have strengthened Italy since the completion of the kingdom, he has in general hearty sympathy.

It goes without saying that Professor Brunialti is thoroughly familiar with his subject, and that he handles it in a manner pleasing, yet serious. His breadth of sympathy and his freedom from prejudice should be noticed. The quality of the work is, in short, such as one ought to expect from an enlightened and patriotic publicist.

WILLARD C. FISHER.

Wesleyan University.

An appeal to the Canadian Institute on the Rectification of Parliament. By SANDFORD FLEMING, C. M. G., LL. D., etc. Pp. 176. Toronto, 1892.

On the first of January, 1892, Chancellor Fleming brought to the attention of the Canadian Institute the importance of a reform in the method of electing members of Parliament, and within a short time the generous offer of a friend placed at the disposal of the Institute

$1000 to be awarded in whole or in part, "for the best workable measure (Bill or Act of Parliament) which, if made law, would give the whole Canadian people equal representation in Parliament and each elector due weight in the Government, through Parliament. The Council of the Institute accordingly invites essays on Electoral Representation and the Rectification of Parliament, accompanied by a draft bill applicable to countries with a Parliamentary System similar in general features to that of Canada." "The Council proposes that one award be given of not less than five hundred dollars ($500), and others proportionate to the merits of the work submitted." The invitation to compete is not confined to Canadians, but "is extended to all persons of whatever country, on equal terms." The essays are to be addressed to the Secretary of the Canadian Institute, Toronto, Canada, and must be received before the first day of July, 1893.

Appended to Dr. Fleming's letter to the Institute is a note in which he explains his views upon the subject. From this it appears that his ideas are very far-reaching. He believes that party government, with all the evil it entails, is due to a defective method of electing members of Parliament, and that if minorities could be so represented that the House of Commons would be a true reflection of the whole people, political parties would cease to exist. It is this feature of the problem which gives it an especial interest.

The rest of the volume is filled up with carefully selected extracts from the writings of different men in England and America on the subjects of minority representation and party government.

It is a very singular fact that the advocates of popular government in the last century failed entirely to foresee the development of political parties. They were in the habit of speaking of the people as a whole, and although they recognized the necessity of differences of opinion on particular questions, it never seems to have occurred to them that great organized parties would arise, whose members would act in concert continuously, and support one another on all questions. But it is still more singular that the phenomena presented by political parties have been so little studied in later years. There has, indeed, been a great deal said about the evils of the party system, and something said in its defense. The organization and working of the parties has also been fully and carefully described, but there has been an almost entire absence of philosophic study of the causes of parties, or of their modifications, under different political systems and institutions. A short discussion by Sir Henry Maine in his "Popular Government," and another by Professor Sidgwick in his "Elements of Politics" (extracts from both of which are contained in Mr. Fleming's collec-

tion), are the most important contributions to the subject in English; and, in fact, almost the only ones. Besides these there is little except the late Professor Blunschli's little work on "Parties," but this is written from an abstract or psychological point of view, and though suggestive, can hardly be regarded as a study of actual political phenomena. Philosophic study of this subject has been rare; yet we have a large number of facts which are well established and easily observed, and surely form a basis broad enough for induction. Such, for example, is the fact that in Anglo-Saxon countries there is normally a division into two political parties, whereas in most of the countries on the continent of Europe the division is into several groups. It is indeed curious, and it shows how little the subject has been studied, that Anglo-Saxons regard the division into two parties as natural if not inevitable, while the people of the continent regard the division into several parties in the same way. The difference is partly due, no doubt, to national temperament and a difference in political maturity; but it would seem to be due also in a large measure to the difference in institutions. Again, we may notice that parties play in reality a larger part in legislation and administration in England than in this country, and play a still smaller part in Switzerland. This is also due chiefly to the difference in institutions.

It would seem that the student of political philosophy could set before himself, at the present day, no more important work than to inquire how far the existence, the development and the working of political parties are influenced by the institutions of a State; how far their activity may be increased or diminished, or the good which they do magnified and the evils they involve mitigated by a change in the machinery of the government.

If Dr. Fleming's appeal, and the prize offered by the Canadian Institute will foster such a study, as it is designed to do, it will have helped in prompting a real progress in political science, even if it results in no actual legislation in Canada.

A. LAWRENCE LOWELL.

Boston.

Précis historique, théorique et pratique de Socialisme. Par B. MALON. 1ère série des Lundis Socialistes. Pp. 352. Paris: Felix Alcan, 1892.

This is a typical French book. It has neither the laborious science of a German nor the leaden-skyed practicalism of an English book. It is newsy, interesting, lucid, idealistic and sanguinely theoretical. The reader discovers with a certain relief a delicacy, a moderation, and, withal a certain benignity of spirit pervading the whole not usually

associated with the red flag. There is not the slightest affectation of dispassionateness. The author is partisan, but not unfair; revolutionary, but not vindictive.

In his brief historical sketch he mentions Plato's Republic and Christian communism, to both of which he accords scant praise. Christianity was from the first a delusive hope as regards permanent reconstruction of society, its communism an accident rather than a principle, and the noble efforts of the early fathers to resist social inequality a forlorn struggle. Christianity, though playing an important rôle in progress, is obsolete as an ideal system. Sir Thomas More's "Utopia" marks an epoch in the long-suspended evolution of socialism, the epoch of dreams that preceded the true awakening. To him the author grants the highest honor, as to his counterpart on the continent, Morelly.

From the utopian period we are ushered into that of science by the remarkable trio, Saint Simon, Fourier and Robert Owen. The claim urged by the followers of Karl Marx that scientific socialism begins with him, is stoutly combatted in favor of these three great predecessors, whose work is declared to be thoroughly scientific in character. While placing Marx at the head of all socialistic writers, the author's criticism of his theory is unsurpassed for terseness of expression and clearness of insight. Marx says to the laborers: "You should have no other motive than your class interests. Justice, Right, Liberty, Equality, Fraternity; all that is bourgeois nonsense. You are plundered and you don't want to be. That is your Right and your Justice." To this our author strongly objects. The socialism of Marx, though masterly in its economic aspects, is unethical, and this is fatal to its adoption. The successful revolutions of the past have been primarily religious, secondarily political, never simply economic. The socialistic revolution must triumph by a fuller recognition of Justice and Right than characterizes existing society, not by contempt for them. This is admirably maintained throughout the book.

From the historic examination of socialism, including a statement of its different branches and programmes, the author proceeds to a presentation of that programme, which he approves. It is of the most moderate kind, involving neither violent seizure of private property, nor the equalization of incomes, nor yet a violent change in existing institutions. A slow increase of State functions by means already in use would transfer monopolies as they mature (not before) to State control. The economic features of this transformation, though necessarily prominent, are neither the only nor the most important ones. The bulk of the book is occupied with intermediate steps, including many measures now under consideration by non-socialistic bodies.

Only in the last chapters, and with commendable moderation, does the author indulge in a little prospect painting in which his rainbow colors grow ethereal.

To the scientific critic the book is open to criticism in many respects, and even the cursory reader will feel the inadequacy of the reply to the fundamental objections usually urged against socialism. But we may fairly admit the socialists' demurrer to these and all other criticisms, that he is dealing with an immense problem and great difficulties for which, as yet, even his critics have scarcely discovered a satisfactory solution.

University of Wisconsin. H. H. P.

Political Economy for American Youth. Written from an American Standpoint. By JACOB HARRIS PATTON, Ph. D. Pp. 297. New York: Lovell & Co. 1892.

This is a compact little book designed for beginners. Whatever value it has lies not in the explanation, but in the description of industrial phenomena. The pages abound in copious concrete illustrations drawn from contemporary industry. The author, though he makes little attempt to reach principles or laws, and hence imparts to his book no scientific value, spares us the usual series of dissertations on Robinson Crusoe.

The evidences of the author's bias are very interesting. There is a page on "The Advantages of Railways," not without a motive. A page is devoted to "Duties Enjoined upon Workmen," but no duties are enjoined upon employers. The "Golden Rule" requires that workmen should submit to reduction of wages when trade is dull, but Dr. Patton's Golden Rule is discreetly silent as to what the employer should do when trade improves. Trades union restrictions are very wicked, but nothing is said as to the black-list. For the sake of the innocent public, workingmen should be careful in striking not to cause any interruption of business on the railroads. We are told that labor leaders "compelled" their men to quit work. A section is given to "Wages Raised by Wrong Measures." The similar lowering of wages gets no such consideration. Capitalists are "enterprising gentlemen;" laboring men are "work people." The latter "have not the mental wear and tear of the owners (of capital), who must undergo a large amount of anxiety which is unknown to the former." Indirect taxation is commended, because "voluntary on the part of the payer." The tariff is a wise form of taxation, because it taxes "foreign property imported for sale," which otherwise would not pay one cent. Free traders "attach a sacredness to imported foreign

property" which they deny to American property. One more quotation. Our few surviving communistic societies "have in them the seeds of disintegration and death, since they appeal to the selfishness of human nature rather than to its generous impulses."

The source and aim of the book is too evident to need pointing out.

Cornell University. E. A. R.

Digest of Political Economy, and Some of its Applications to Social Philosophy. By G. VESIAN PICK. Pp. xii., 156. London: Swan, Sonnenschein & Co. 1892.

The alternate title of Mr. Pick's book alone indicates that it is an epitome of J. S. Mill's Principles of Political Economy. What at first appears strange editorial remissness, becomes later intelligible through the apparent identity in the writer's mind of Mill's Principles and the science of political economy. This is clearly shown in the introductory sentences of the Preface.

The primary purpose of the book, it is stated, is to serve as a popular summary of economic truths. In this direction such a work is naturally of little value. Even the most readable digest of Mr. Mill's treatise, repeating in unmodified faith his theory of value and capital, would be clearly unsuited for establishing "the plain truths of the science." When propaganda takes the form of almost epigrammatic condensation, the doctrine, however sound, will certainly not "find favor with the masses."

The natural design of the book,—use by students in conjunction with Mill's treatise,—is later suggested, in the hope that it will enable them "to produce the main principles of the science and deduce therefrom without hesitation." A satisfactory epitome of the Principles of Political Economy would be at least acceptable, and it is to be regretted that Mr. Pick has not aimed at making academic use the primary and entire one, instead of the secondary and partial purpose of his book. As it is, the general scope of the work renders it unserviceable for precise use, and its inherent character unfit for popular use. The classical arrangement of the five books of the Principles into chapters and sections is diplaced by a purely arbitrary division into numbered paragraphs. The Table of Contents is unpaged, and an index is lacking altogether. Condensation is disproportionate to student-needs. Book III., on Exchange, is expanded with some justification from the one-fourth which it constitutes of the Principles to one-third of the Digest; but Chapter XV., on "A Measure of Value," is dismissed with a suggestive paragraph (p. 87): "On this subject we refer the reader to the chapter devoted to it in Mill's 'Political

Economy.' We will, however, remark that it is a subject of little importance." Chapter XVI., on "Some Particular Cases of Value," occupies two full pages of the Digest and but three of the Principles. Space is lacking to indicate the positive errors and inexact statements that mar the work. Such are the naïve remarks (p. 52): "When land is cultivated and barely produces the laborer's subsistence, it cannot pay rent; but when there is a surplus, this is rent," and the puzzling sentence (p. 7): "The only productive powers of capital are those of labor and natural agents, though a portion of it may produce tools and machinery"—a clear misunderstanding of Mill's somewhat involved statement.

As an incomplete review of classical economic doctrines, Mr. Pick's book may be of some slight use. That it will otherwise contribute to "the welfare of a nation," or "the making of a people better and happier," which the author asserts alone actuated him in its preparation, is unfortunately to be doubted.

J. H. HOLLANDER.

Johns Hopkins University.

The Origin of Metallic Currency and Weight Standards. By WILLIAM RIDGEWAY, M. A., Professor of Greek in Queen's College, Cork. Pp. xii., 417: University Press, Cambridge, 1892.

This very able work may be said to be an application of the historic method to the allied branches of numismatics and metrology. Its general object may be inferred from the title. Specifically considered, there are two distinct aims which the author has in view; the first is the demolition of the older theories of the school of Boeckh, which inclines to the doctrine of a primal convention establishing the use of a particular article as a medium of exchange, and also to the theory that weights and measures in historic antiquity originated in the scientific mathematical metrology of Assyria. The second object is constructive, and insists upon the empirical origin of weights and measures, the universal use of the ox as the original standard of exchange value, and the subsequent derivation of a gold standard from equating the value of cattle into a definite amount of gold.

We cannot withhold our expression of admiration for the thorough erudition, especially as regards philology, and for the very ingenious employment of historic induction which are evinced throughout the whole book. But we are disposed to think that the author has accomplished his first object much more completely and irrefutably than his constructive theses. The proof of the empirical origin of weights and measures by the use of natural measures of capacity, such as seeds and hollow quills, is convincing. The disproof of the scientific, mathematical origin of the standards of antiquity is equally effective. But

the positive positions are, in our opinion, not entirely irrefragable. We are disposed to admit the conclusion that the ox was the original unit of exchange value, and that an assumed equal value was incorporated in the first standard measures of gold. But when it is argued that the even distribution of cattle and gold among the nations of western Asia, Egypt and Europe, together with the existence of exchange between those early peoples, necessarily caused a uniformity in the exchange ratios between cattle and gold throughout this vast territorial extent, and that this is borne out in the practical identity in weight of early standard gold coins, we must beg leave to demur. With the freest exchange which the author may assume at that period, the equality of exchange ratios need only to have existed on the boundaries of the contiguous countries engaged in exchange, so long as the practical absence of any but the most limited means of transportation precluded any highly-developed commerce. The further assertion, that the art of weighing was employed first of all for gold is certainly not rigorously established. If in Homeric times the scales were used for wool no less than gold, and if in the earlier records of more highly-cultured communities we find many metals exchanged by weight, there is certainly no exact demonstration of the proposition—a proposition, however, whose truth or falsity does not vitally affect Professor Ridgeway's main contention.

The book is nevertheless one of very great value; the discussion of the origin of money and weights makes antiquated a number of our present authorities; and the use of illustrations in the text cannot but prove of very essential advantage to the reader.

W. M. D.

Princeton.

NOTES.

THE publication of a Library of Economics and Politics under the editorial control of Professor Richard T. Ely, director of the School of Economics, Political Science and History at the University of Wisconsin, is announced by Crowell & Co. The volumes at present arranged for are: "*The Independent Treasury System of the United States*," by Mr. David Kinley, A. B., Assistant and Fellow in Economics in the University of Wisconsin; "*American Charities: A Study in Philanthropy and Economics*," by Amos G. Warner, Ph. D., Superintendent of Charities for the District of Columbia, and Professor-elect of Economics in the Leland-Stanford, Jr., University; and "*Repudiation of State Debts in the United States*," by William A. Scott, Ph. D., Assistant Professor of Political Economy in the University of Wisconsin. The subsequent numbers of the series will include two works by Dr. Ely, one on "*Socialism*," and one on "*Suggestions on Social Topics*," and also a work by Albert Shaw, Ph. D., editor of the *Review of Reviews*.

IN *The Aegis* of the University of Wisconsin, November 4, 1892, Professor F. J. Turner gives a suggestive statement of the "*Problems in American History*," which may well invite the attention of students of American history at the present time. The problems especially emphasized in the article are those connected with the social and economic history of the United States. Professor Turner's studies have been mostly devoted to this field of American history, and he is able in a short article to give many valuable suggestions to historical investigators.

UNDER the title *La Société moderne, études morales et politiques*,* M. J. G. Courcelle-Seneuil has brought together some twenty previously published essays relating to the fundamental principles of our modern social organization. "Democracy," "The Study of History," "A Criticism of the Declaration of the Rights of Man," "The Theory of Representation," "A Sketch of a Rational System of Politics" and "The Ethical and Legal Instruction in France" form the chief subjects of discussion.

* 12mo, pp. 543. Paris: Guillaumin et Cie, 1892.

MR. PERKINS, in his book on *France Under the Regency*,* has given us a readable, anecdotal sketch not only of the administration of the Duke of Orleans, but of the reign of Louis XIV. as well, devoting, in fact, over half the volume to the latter period. He has made constant use of original authorities, referring us, perhaps too exclusively, to these. It is often interesting to know the opinions of other worthy workers in the same field. For example, in the chapters upon John Law and his system, the suggestive account of this matter which Louis Blanc has given us (Revolution fr. i., pp. 260 ff.) merited attention. The author is clear and entertaining in his style, betraying the influence of the gossipy memoirs which he has conned. While he limits himself to the safest of generalizations, he is judicious in his choice of material, and free from the common tendency to exaggerate the importance of events and men which have received our especial attention.

THE fact that there are still comparatively few colleges in which any instruction in political economy is given by specialists in economics, or by men qualified by special training, makes especially welcome any method of improving the teaching of economics. The University Extension system offers the colleges one way of bettering their work in political economy. Courses of six, twelve or twenty-four lectures can be secured to the college classes from university specialists by means of the University Extension system at a moderate cost. Such courses would constitute a valuable supplement to the regular instruction given in those colleges which have not yet established a distinct chair of economics. The President of Wilson College, at Chambersburg, Pa., gives a report in the November, 1892, number of *University Extension* of the first attempt that has been made to introduce University Extension courses into a regular college class. A college course, occupying half the senior year, was supplemented by a series of twelve lectures, delivered by a staff lecturer of the American Society for the Extension of University Teaching. The results were very gratifying, and the experiment shows a practical way of bettering college instruction in economics.

* FRANCE UNDER THE REGENCY, with a review of the administration of Louis XIV. By JAMES BRECK PERKINS, author of "France Under Richelieu and Mazarin." Pp. 603. Boston and New York: Houghton, Mifflin & Co., 1892.

ANNALS

OF THE

AMERICAN ACADEMY

OF

POLITICAL AND SOCIAL SCIENCE.

NATIONAL AND STATE BANKS.

The national banking system was recommended to Congress by Secretary Chase in his first annual report, December, 1861. He urged its adoption both as a measure of currency reform and as a means of replenishing the public treasury. As a matter of fact, the act brought little aid to the treasury until after the need of it had passed by. The war ended practically in April, 1865. The whole amount of national bank notes issued up to the third of that month was only $98,896,488. The sum total of fiscal aid gained by the operation of the act up to that time therefore did not exceed $109,000,000, and this was only 3 6-10 per cent of the borrowings of the Government.

THE TAX ON STATE BANKS' NOTES.

The national bank bill was not favored by Congress during the first or the second year of the war. It was reported adversely by the Committee of Ways and Means on the eighth of July, 1862. In December following the Secretary renewed his recommendation with great earnestness, and the recommendation was reinforced by President Lincoln in his annual message. Notwithstanding all this, the opposition to the measure in Congress was exceedingly stubborn. The bill was started this time in the Senate, where it was passed

February 12, 1863, by a vote of twenty-three to twenty-one. A few days later it passed the House by seventy-eight to sixty-four. It was revised and repassed on the third of June in the following year, but neither in the original nor in the amended act was there any discriminating tax on State bank notes. This tax was an afterthought. It was proposed by Mr. Hooper, of Massachusetts, in the House, on the seventeenth of February, 1865, and in the form in which he offered it, it was defeated. It was again offered in substantially the shape in which it now stands, on the same day, by Mr. Wilson, of Iowa, and it was adopted by an accident. The vote was sixty-eight yeas to sixty-seven nays, but Mr. Brooks, of New York, who had bitterly opposed it in debate, voted in the affirmative in order to move a reconsideration. When he moved the reconsideration, Mr. Washburne, of Illinois, moved to lay that motion on the table, and on the latter motion the vote was a tie, seventy-one to seventy-one. The speaker then voted in the affirmative, and his vote saved the Wilson amendment. If Mr. Brooks had voted in the first instance as he had fought, there would have been a majority of one against it.

In the Senate the Committee on Finance reported adversely to the tax, but was overruled by a majority of two. I mention this merely to show how small was the preponderance of sentiment, if any, in favor of the tax at the time when it was enacted. Although enacted on the third of March, 1865, the tax did not go into effect until August 1, 1866, or fifteen months after the close of the war.

The constitutionality of the tax has been called in question. The Supreme Court held, in the case of Veazie Bank *vs.* Fenno, that it was not repugnant to the Constitution. There may be room for difference of opinion as to the scope of the decision, but according to my reading the court held that the right of Congress to tax bank notes existed, and that the judicial department of the Government could not prescribe limitations to the legislative department upon the exercise of its acknowledged powers.

A different question is raised when we look at the moral and economical features of the tax. If you can tax bank notes, not for the purposes of revenue, *i.e.*, not for the usual purposes of taxation, but for something quite different, you may tax anybody or anything on the same principles. The debate shows that the tax was imposed to kill State bank notes, not to obtain money for public uses. Such a power can be invoked to destroy any industry, to take away any man's livelihood, and to reduce him to beggary. This power was invoked a few years ago to destroy the oleomargarine industry, and there is now pending a bill, which has passed one branch of Congress, to tax out of existence the business of making a certain class of contracts called "futures." This bill has created far more commotion during the past twelve months than the tax on State bank notes ever did. It was and is advocated by some who have no pecuniary interest to serve, as an anti-gambling statute. Dealing in futures, they say, is gambling. Ought we not to suppress gambling by every means in our power? Whether dealing in futures is gambling or not, whether some of it is gambling and some not, I observe that orthodoxy is brought in to give a lift to every such measure. It was especially so in the oleomargarine case. The making of this article was pronounced immoral and even infamous, although it turned out that the most deceptive and deleterious compounds in the market going under the name and guise of butter were really butter done over with chemicals. Now orthodoxy, according to a well-known formula, is my doxy and heterodoxy is your doxy. If I want to tax your business out of existence because it interferes with mine, I shall begin by persuading Congressmen that you are a bad fellow and that your influence over the young is pernicious. I confess that I was captivated with the idea of taxing the Louisiana Lottery out of existence by act of Congress, but I see now that a better way was found. I hope, if another round is to be fought with that monster, that means may be devised for overcoming it without resort to so doubtful an expedient; for there is

no limit to its oppressions if the principle is admitted that you may use the taxing power for other purposes than those of the public fisc.

But we are confronted with the fact that the thing has been done. If the means were questionable, still *we* are not responsible. The blame, if any, is on the last generation. Are we required, upon sentimental or other grounds, to undo what they did, even at the risk of producing chaos? I consider the sin of inflicting a bad currency upon the people the deadliest that a government can commit. Hence it becomes us, before answering this question, to look at the probable consequences.

If we are to assume that one of the consequences will be the circulation of bank notes as bad as some of those which existed before the war, no further argument is needed. There were good banks and bad banks before the war. There were good bank systems and bad bank systems. Let us glance at some of both kinds.

STATE BANK OF INDIANA.

The State Bank of Indiana was incorporated by a special charter in 1834. The capital stock was originally fixed at $1,600,000, and of this sum the State was to subscribe one-half and private individuals the other half. The State really supplied the whole capital by an issue of bank bonds, and advanced one-half of it to private individuals on mortgage security. The capital was afterwards increased, the State reserving to itself the option to take one-half of the several increments. All the stock subscriptions were required to be paid in specie. The State Bank consisted of a president and board of directors at Indianapolis, who were a supervising body, but who had no capital under their control and transacted none of the details of the business. All the details were performed by the branches of the State Bank, originally ten, but increased in number from time to time. The branches were managed by the private shareholders exclusively. The stock subscriptions were made by each branch separately, the capital of

each being $160,000, of which the State took $80,000 and private persons $80,000. The earnings and dividends of each branch belonged to their own shareholders exclusively, but each branch was liable for the debts of every other branch. They were independent of each other in the matter of assets, but were united as to liabilities. This was the admirable keystone of the arch.

The president and four directors of the bank (the parent institution) were chosen by the State legislature to hold office for five years, and one director of the same was elected by each branch.

The kind of business to be done was defined in the law. It was the usual banking business, including the power to issue circulating notes. The only limit on the amount of circulating notes was embraced in a provision that the debts due to or from any branch (except deposits) should not be more than double the capital of that branch. Theoretically, therefore, each or every branch might have notes outstanding to double the amount of its capital minus any debts it owed to other banks. An amendment was passed in 1836 allowing discounts to be made to the extent of two and one-half times the capital stock. They were not allowed to lend on mortgage security or to deal in real estate, except such as might come to them in the way of security for loans previously made; and in such cases they were required to offer it at public sale once each year.

In order to prevent the branch banks from falling under the control of individuals or cliques, it was provided that at elections of directors no person should cast more than 100 votes, however large his holdings might be. Holders of one to four shares might cast one vote for each share; four to thirty shares, one vote for every two shares; thirty to ninety shares, one vote for every four shares, and so on—a scheme of minority representation borrowed from the Massachusetts law of 1828. No branch could lend money on the security of its own stock. No officer or director could borrow on terms different from the public, nor could they endorse for

each other, nor could they vote on questions where they were interested. On all applications for loans above $500, a majority vote of five-sevenths of the board was necessary, and this must be entered on the minutes with the names of the directors so voting. Directors were individually liable for losses resulting from infraction of the law, unless they had voted against the same and caused their votes to be entered on the minutes, and had notified the Governor of the State of such infraction forthwith, and had published their dissent in the nearest newspaper. Any absent director should be deemed to have concurred in the action of the board, unless he should make his dissent known in like manner within six months.

Such were the leading features of this monumental bank. It continued until the expiration of its charter to be a great and beneficent financial institution, highly profitable to its shareholders and advantageous to the community. When the crash of 1837 came, it held Government deposits to the amount of $1,500,000, all of which it paid in the usual course of business. The first instalment of this deposit ($80,000 gold) was conveyed in a stage-coach over the Alleghany Mountains to Washington City, by the late J. F. D. Lanier, of New York, who was then President of the Madison Branch Bank. When this money was delivered, the Secretary of the Treasury (Levi Woodbury) said to Mr. Lanier that his bank was the only one in the country holding Government deposits that had offered to pay any specie at all.* The bank was rechartered as the "Bank of the State of Indiana" in 1855. It was one of the few institutions that did not suspend specie payments in the panic of 1857. The State very properly ceased to be a shareholder when the first charter expired. Its participation was deemed necessary in the beginning to procure the requisite capital, but it wisely kept its own hands off the management. The State banks of Illinois and Kentucky, which were owned wholly by the States, and were managed by public officers, soon went to smash. That of

*Memoir of J. F. D. Lanier, published by his family.

Indiana paid into the State Treasury twelve to fourteen per cent per annum in dividends, besides nearly doubling the original capital at the "round up." This money was turned into the State School Fund.*

When the State of Indiana adopted a new constitution, in 1851, a clause was inserted prohibiting the State from becoming a shareholder in any bank or other corporation. Another clause authorized the Legislature to pass a general banking law, and a third clause provided that noteholders should be preferred creditors of failed banks.

STATE BANK OF OHIO.

The State Bank of Ohio had a different origin and was of later birth. It was made a part of a banking law of wide scope passed in 1845. It seems to have been modeled after the Indiana law, with a few differences. The State of Ohio had no pecuniary interest in it. There were a number of banks existing in the State when the law of 1845 was passed, and the law authorized the formation of others; but restricted

*Mr. Lucius B. Swift, of Indianapolis, has kindly made a search, at my instance, for the exact amount of surplus turned over by the branch banks to the State of Indiana. No record containing all this information was found, but a communication made by the State Bank under date of January 7, 1859, reports the winding up of nine branches and gives a statement of the surplus returned to shareholders in addition to the annual dividends and the original capital stock, the par value of which was $50 per share, viz:

BRANCHES.	SURPLUS PER SHARE.
Lawrenceburgh	$40.53.
Richmond	37.72.
New Albany	25.00.
Evansville	26.65.
Bedford	8.50.
Terre Haute	30.28.
La Fayette	27.00.
South Bend	40.11.
Michigan City	30.75.

A report of the Commissioners of the Sinking Fund, dated November 1, 1858, says that the State had received up to that time a net profit, from its bank investment, of $2,780,604.36 after deducting the interest paid on its bank bonds. There were still some branches which had not turned in their surplus and were not included in this statement. Mr. Lanier says that the State's net profit was about $3,500,000.

I have considered it worth while to rescue this notable tribute to sound banking principles from the weltering mass of bank failures of the period covered, *i. e.*, 1834–1859.

the aggregate amount of capital to a fixed sum and appointed commissioners to parcel it out, as though banking were a necessary evil, like dynamite. The law provided that any number of banks, not less than seven then existing, or to be organized thereafter, might become branches of the State Bank of Ohio. The latter, like the State Bank of Indiana, was a mere Board of Control, and was so denominated in the law. The central and governing idea of this law was the security of the noteholder. Note issuing was proportioned to capital in the following manner: "Any branch might issue $200,000 of notes for the first $100,000 of capital; $150,000 of notes for the second $100,000 of capital; $125,000 of notes for the third $100,000 of capital; $100,000 of notes for the fourth $100,000 of capital, and $75,000 of notes for each additional $100,000 of capital. Each branch was required to deposit with the Board of Control ten per cent of the amount of its circulating notes, either in specie or in bonds of the State of Ohio or of the United States, as a safety fund for the protection of the holders of notes of any or all the branches. The Board of Control might invest any money belonging to the safety fund in the bonds of Ohio or of the United States, or in mortgage on real estate in the county where the branch was situated, worth double the amount of the loan exclusive of buildings or other destructible property. Each branch was liable for the circulating notes, but not for the general debts of the other branches. In case of the failure of any branch to redeem its notes, the Board of Control was to make an assessment *pro rata* on the other branches, and reimburse them as soon as the assets in the safety fund could be disposed of; and then the safety fund was to be reimbursed out of the assets of the failed branch before any other creditor was paid. The State Bank of Ohio had thirty-six branches and was highly successful.

LOUISIANA BANK ACT OF 1842.

The State of Louisiana had her full share of bank misery in 1837 and later. Her banks suspended specie payments,

and so remained until 1842. In that year the State passed a banking law which was, in nearly all respects, a model for other States and countries.

The principal features of this law were the requirement (1) of a specie reserve equal to one-third of all its liabilities to the public; (2) the other two-thirds of its liabilities to be represented by commercial paper having not more than ninety days to run; (3) all commercial paper to be paid at maturity; and if not paid, or if an extension were asked for, the account of the party to be closed and his name to be sent to the other banks as a delinquent; (4) all banks to be examined by a board of State officers quarterly or oftener; (5) bank directors to be individually liable for all loans or investments made in violation of the law, unless they could show that they had voted against the same if present; (6) no bank to have less than fifty shareholders, having at least thirty shares each; (7) any director going out of the State for more than thirty days, or absenting himself from five successive meetings of the board, to be deemed to have resigned, and his vacancy to be filled at once; (8) no bank to pay out any notes but its own; (9) all banks to pay their balances to each other in specie every Saturday, under penalty of being immediately put in liquidation; (10) no bank to purchase its own shares or lend on its own shares more than thirty per cent of the market value thereof.

This law had one feature which cannot be approved. It allowed some loans to be made on mortgage security, but it restricted such loans to the bank's capital. No part of the deposits could be lent except on commercial paper maturing within ninety days. I judge that not many mortgage loans were made by the Louisiana banks, since none of them suspended in the panic of 1857, although most of the banks of the country were temporarily closed by that catastrophe. Mortgage loans are all right in themselves, but they are no part of the banking business. I think that the Louisiana Bank Act of 1842 was eminently scientific. It was the first law passed by any State requiring a definite amount of specie to be kept.

as a reserve. The Louisiana law required no pledged security for the circulating notes of banks, nor did it put any limit on the amount of their issues. All this was covered, and amply covered, by requiring thirty-three per cent of specie against all liabilities, whether deposits or notes, the balance of the assets to be in mercantile paper having not more than ninety days to run.

Under this law, Louisiana became in 1860 the fourth State in the Union in point of banking capital and the second in point of specie holdings. I think, however, that the requirement of a thirty-three per cent reserve of coin (or, as we say now, of "lawful money") was excessive, and that the twenty-five per cent in larger cities and fifteen per cent in other places, required of national banks, is ample. It is a matter of history that the Louisiana Bank Act of 1842 was strictly and intelligently enforced until the city of New Orleans was captured during the civil war.

MASSACHUSETTS AND THE SUFFOLK BANK SYSTEM.

The Massachusetts Banking Law, as it existed before the war, consisted of two parts, the first part relating to chartered banks. This was one of the best banking laws ever produced. No individual could hold more than one-half the stock of any bank, no person could be a director of more than one bank, no person could be a director whose stock was pledged for debt. Neither the debts nor the credits of a bank could exceed twice the capital stock paid in, except for deposits and for debts to or from other banks. Directors were personally liable for violation of this clause unless they dissented or were absent, in which case they must notify the Bank Commissioners of the State forthwith. No bank could pay out any notes but its own, or issue any notes, directly or indirectly, except at its own banking-house, or issue any notes with the understanding that they should be kept out a certain length of time. No bank could make a loan repayable in anything except specie or its own notes. In case of bank failure the noteholders were to be

paid first. Each bank was required to keep fifteen per cent of specie as a reserve against both circulation and deposits, but country banks might reckon their balances in Boston banks payable on demand as specie. This specie-reserve clause was passed in 1858, after a hard struggle. It was copied from the Louisiana Act of 1842, but the amount of the specie reserve was only one-half of that required in Louisiana.* When gold was paid out, it must be paid by weight. This was an old law of 1803 re-enacted at every revision of the banking laws down to and including 1860. There was a provision that if any new banks were chartered with greater privileges than those here enumerated, the same privileges should extend to all other banks. This proviso was inserted in the Act of 1828 and in every subsequent revision. The Act of 1828 provided that at elections for bank directors each stockholder should be entitled to one vote for the first share and to one vote for every two additional shares, provided that no person should have more than ten votes. This was re-enacted in the revision of 1835, but was dropped in the revision of 1860. The second part of the Massachusetts law was the free banking system. It was passed in 1851 and re-enacted in the revision of 1860, but as only seven banks were organized under it we need not dwell on its provisions.

The distinguishing feature of Massachusetts banking was the daily redemption of all New England bank notes that reached Boston. This redemption took place at the Suffolk Bank, and hence was called the Suffolk Bank system. It was a voluntary arrangement like a clearing-house. It began in 1825. The country banks resisted it at first, but they were forced into it by a systematic "run" on every one that did not come in and provide for the redemption of its notes at the financial centre. The Suffolk Bank system was facilitated by the provision of law that no bank could pay out any notes except its own, but it began before that law was passed. In this way the goodness of all circulating notes was subjected to a daily test.

*See *Bankers' Magazine*, November, 1877, page 351.

It is important to observe that in each of the three systems we have examined, viz., the State Bank of Indiana and the Louisiana and Massachusetts laws, the governing principle was that the bank's assets should redeem its circulating notes. They rested upon the true theory that any system which takes diligent care of the assets will surely take care of the circulation, and they demonstrated in a long series of years by splendid results that such assurance is not beyond the reach of the State's administrative powers.

FREE BANKING LAW OF NEW YORK.

The next great step in the evolution of banking in the United States was what is called the free-bank system. Notwithstanding the praise that has been bestowed upon it, and notwithstanding its adoption as one feature of the National Banking Law, I think that it was a step backward and that it is destined to perish. It had its origin in the State of New York in 1838, although the State of Michigan had something resembling it a year earlier. Prior to that time bank charters in New York were a part of the spoils system of politics. Accustomed as we are to the spoils system of to-day, it sounds oddly to read that bank charters were granted by Whig and Democratic Legislatures only to their own partisans. Not only was this the common practice, but the shares in banks, or the rights to subscribe to them, were parceled out by political "bosses" in the several counties. Of course, corruption flourished in such a soil. The people became exasperated by the indecencies witnessed at Albany. A reaction in favor of equal rights was the natural consequence, and out of this came the Free-Banking Law of 1838. Under this law the comptroller was authorized to issue circulating notes to any association organizing itself as a bank and depositing stocks of the United States, or of any State, or bonds secured by mortgage on real estate of a certain specified grade. The system had a bad start. Within five years after the law was passed twenty-nine banks that had organized under it failed, and the deposited securities realized

only seventy-four cents on the dollar of the outstanding notes. This led to changes in the law by which all State bonds were ruled out except those of New York, and the mortgage securities were keyed up to a high pitch, but still not high enough. Under the present banking law of New York (revision of 1892) the security required for circulating notes consists of the bonds of the United States, or of the State of New York, or of any county or incorporated city in the State, or of mortgages on improved real property worth seventy-five per cent more than the loan. Individual bankers can issue circulating notes on the same terms.

The free-banking system was adopted in Ohio in 1845, but did not flourish there, because it came in competition with the State Bank and branches that were started at the same time. It was adopted in Massachusetts in 1851, as has been remarked, but it gained no foothold there because it was really inferior to the Suffolk Bank system, which already held the ground.

FREE BANKING IN THE WEST.

The State of Illinois passed her Free-Banking Law in 1851. It was submitted to a vote of the people in November of that year and ratified. It provided that any number of persons might organize a bank, but that no bank should have a less capital than $50,000. It did not require that a bank should have any directors. The bank's capital might consist wholly of bonds of States or the United States deposited with the State Auditor as security for its circulating notes. The auditor could deliver to the bank in circulating notes eighty per cent. of the market value of the securities. No examination of the affairs of the banks by public officers could be had except on the affidavit of the shareholders, and then only for the purpose of ascertaining the safety of the investments. A subsequent amendment provided for an annual examination by bank commissioners of the securities deposited against circulating notes. The banks were allowed to pay out the notes of any specie-paying banks of the United States or of Canada, no matter how remote.

These are all the essential provisions of the Free-Banking Law of Illinois as it existed before the war. You will observe that the only idea in the law is security for circulating notes. Each bank was a kind of slot machine. You dropped in a State bond and a lot of bank notes came out, and that was all the banking that was expected or contemplated in the law.

The Free-Banking Law of Indiana, passed May 28, 1852, was very similar to that of Illinois. The differences were, that in Indiana the auditor might issue circulating notes to the full amount (instead of eighty per cent.) of the securities deposited, and that each bank must have specie in its own vaults equal to twelve and one-half per cent. of its circulating notes.

The Free-Banking Law of Wisconsin, passed in 1853, was, perhaps, the worst of all. It did violence to banking principles in a variety of ways. It allowed the bank comptroller to issue circulating notes to the full amount of the bonds of States deposited with him by banks. It allowed the comptroller also to receive the first mortgage bonds of any railroad in the State twenty miles long, or divisional mortgage bonds on sections of road of not less than forty miles, such road to be first inspected as to its physical condition by the governor, the attorney-general and the bank comptroller, or any two of them. On such securities eighty per cent. of circulating notes could be issued, and one-half of the securities of any bank might consist of railroad bonds of this description. Directors or stockholders were required to give their personal bonds to the extent of one-fourth of the amount of the circulating notes, as security against depreciation of the other securities. Except in this particular the shareholders were not liable beyond the amount of their capital invested. The banks might lend money on real estate security to any extent.

CAUSES OF THEIR FAILURE.

Most of these so-called free banks turned out to be bad when the first real test came. Out of ninety-four free banks

in Indiana fifty-one had suspended even before the panic of 1857. The theory of their existence was that, if bank notes were secured by the pledge of marketable bonds or stocks lodged in the hands of a State officer, it was of no consequence what else the bank had or did not have. The idea that a bank's assets should redeem its notes did not enter into this scheme at all. Since there were examples of good banking present to the eyesight, like the State Bank of Indiana, we may reasonably ask why such a mistake was made. I can only answer this question in one way. Banking made itself known to the great mass of the community only through failed bank notes. One failed bank of small calibre would make more impression on the public mind than a dozen others which never closed their doors. This is on the principle that one lost sheep gives its owner more concern than ninety-nine that go not astray. So the legislative mind, which generally follows the public mind, became exclusively fixed on security for bank notes, to the neglect of all other branches of the business.

In practice it was hardly necessary for the bank to have a place of business if its notes were secured, and I remember that in some instances where attempts were made in Illinois to present notes for redemption at the bank's counter no counter was found, but merely a hired room in some place remote from any railway station and situated on some bottomless prairie road. As the country banks had a decided advantage over the city banks in the way of nest-hiding, the latter resorted first to the device of not paying out their own notes at all, but borrowing those of Eastern banks instead. Facilities for travel were too good, however, in the East. The notes paid out in Illinois and Wisconsin went home to be converted into New York and Boston funds too rapidly. So the city bankers went to the State of Georgia and started a lot of subordinate banks there, with whose notes they flooded the Northwest from Chicago as a radiating point. None of these currency mills actually failed, but the rate of exchange on New York was measured

by the cost of sending the notes to their several Georgia houses for redemption, which cost was at that time considerable.

The Western free banks for the most part went down in the crash of 1857, and again in that of 1861, and their securities being pressed on the market simultaneously sank to low figures, the notes falling even lower than the securities. Whatever may have been the design of the law-makers (and there is no reason for doubting that it was good), it turned out to be a mere scheme to enable speculators to sell bonds to the public, and continue to draw the interest themselves. It was possible under these laws for a man to borrow, say, $100,000 of State bonds, deposit them with the auditor, receive from him circulating notes, buy wheat with these notes, send the wheat to New York, and sell it for money with which to buy more bonds to deposit with the auditor, and so round and round. This was actually done in some cases, and it was considered an effective way of procuring an adequate supply of money.

BUYING BAD MONEY.

What would have happened if this supply had not existed? Why, of course, the wheat would have reached its market all the same, and would have been sold for good money, and this money would have gone to the wheat-producer, instead of the wild-cat and red-dog notes that the State auditor put his name and seal on, that were so handsome to look at, and that we were all so proud of in the beginning. I remember how independent we all felt when we had some of these triumphs of art in our pocket-books.

A process of essentially the same kind for furnishing a supply of money has been going on in this country during the past fourteen years. The Government has been issuing circulating notes of one kind and another on the basis of silver, and, although some $400,000,000 of these notes have been put in circulation, money is not a whit more plentiful than it was before. What would have happened if not a

single silver note had been issued, or a single ounce of silver bought? Why, the products of the country would have been sold all the same, and in the absence of silver and silver notes we should have had gold and gold notes. But, says some one, there is not gold enough in the world. How do you know that? You, or the likes of you, said the same thing before we resumed specie payments. You said the same thing before Italy resumed. And now Austria-Hungary is preparing to resume, and largely with gold drawn from us. Simultaneously we hear (and I believe it is true) that Russia has stored away $500,000,000 of gold. I have not the smallest doubt that Austria-Hungary will get all the gold she needs for this purpose, and that there will still be some left. I know, too, that the ability of this country to draw gold from the world's stock exceeds that of Austria-Hungary and Russia combined, and that if we wanted more gold we could get it. The first step would be to repeal the present Silver Law. I doubt if anything else would be needed. Mr. Buckle, in his "History of Civilization," showed that the world's progress in the last hundred years had consisted chiefly in repealing bad laws. There is abundance of room left for that kind of progress in our own country.

THE "BANKING PRINCIPLE."

The State Bank of Indiana, the Louisiana and the Massachusetts banks were based upon what is known to economists as the "banking principle," the opposite, or counterpart, of which is called the "currency principle." The banking principle affirms that all trade is barter, that men would swap their goods and services directly, and without the use of money, if they could, but that since they cannot (owing to the complexity of human affairs), any machine which will do this swapping is a saving and a gain to mankind.

This is what a clearing-house does on a large scale, and a bank on a smaller one. A, B, and C, and the rest of the alphabet deposit the money they get for their various industries and services in a bank, and then draw their checks for

what they want to buy. This is the same as though they deposited their various goods in the bank and gave to each other orders for goods payable in kind at the bank. There would be practical difficulties in making the division at the bank and in handling the goods, but the essential nature of the operation is not changed by bringing in another set of hands (namely, merchants) to transfer the goods and make the divisions. The fact is, that all trade is at bottom barter and swapping.

Now the issue and circulation of bank notes is only an extension of the bank-check system. It carries swapping by machinery one step further. The checks of an individual often circulate through three or four hands before they reach the bank for payment. The bank note is the cashier's check on the bank. These cashiers' checks circulate more widely than private checks because the bank's credit is more widely known, and because they are of convenient form and size. They enable the community to make small exchanges, to do small swapping, without the use of real money. Since real money is capital, they economize the use of capital.

THE "CURRENCY PRINCIPLE."

The currency principle proceeds upon a theory somewhat different. It assumes that a certain amount of paper notes will be wanted by the public at all times, will always be passing from hand to hand, and will never be presented for redemption. This assumption is based upon experience, and is much the same as assuming that a certain number of hats or pairs of trousers will always be wanted. This amount the Government itself will furnish. In England the bank issues this amount of notes, but it accounts to the Government for the profit over and above expenses, and a fair compensation for its own trouble. When the Bank Act was passed, the amount of the fiduciary issues of notes was fixed at £14,000,000. Upon this the bank was to make an annual payment of £120,000, besides paying all the expenses of the note issue and managing the public debt. It was provided

also that on the discontinuance of the circulation of certain country banks then in existence the Bank of England should have the right to issue a corresponding amount of notes, paying a tax to the Government thereon, at the rate of two per cent. per annum. The net amount received by the Government from the bank last year was £162,716. The fiduciary issue is based on Government securities. If the community wants any more notes than the fiduciary issue (which is now about £15,500,000), it can have them by paying gold for them. But obviously this is the same as using the gold, since a note issued against five sovereigns is merely like a gold certificate of deposit issued by our Treasury. True, there is no external mark to distinguish this Bank of England note from any one of the £15,500,000 issued against securities, but it is a very different thing in fact. The Bank of England is a perfect representative of the currency principle, and the Bank of France is a perfect representative of the banking principle.

THE "TRUE PRINCIPLE."

The banking principle is the true one in theory. It is a labor-saving and capital-saving machine at the same time. It does for the lesser transactions of commerce what the bill of exchange and the clearing-house do for the greater ones, and in the same way substantially. It enables trade to be carried on to any extent within the limits of a single nation by a series of offsets. It is barter reduced to science. If there were no disturbing elements, it would gradually root out and supersede every other kind of apparatus for performing the exchanges of mankind. It would do this in the same way and for the same reason that a superior tool crowds out and supersedes an inferior one—as the friction match, for example, superseded the flint and tinder-box. But there are disturbing elements. Bad and dishonest management of banks may be minimized, but cannot be prevented altogether. The currency principle here has its *raison d'être*. It says that the first requisite of any bank-note system is the security of the noteholder, and that everything else should be subordinated

to that. I agree to that proposition. Any system which does not make the noteholders secure is condemned at the start. But we have seen that the issue of notes against deposited securities did not save the noteholders from loss before the war, while careful and intelligent systems of banking like those of Louisiana, Massachusetts, and the State banks of Indiana and Ohio did protect them fully. I consider note issuing against deposited securities erroneous in principle, because it uses up the bank's capital in procuring its notes, whereas, it ought to have this capital free at the outset for the discount of commercial paper.

Take an illustration. Suppose that a bank starts with $100,000 of capital. Under the plan of deposited securities it must pay all this, and perhaps more, in order to get $90,000 of notes to apply to the discount of commercial paper. The bank cannot know whether the parties whose paper is discounted will draw the money in the form of notes or will ask for drafts on some other city or will draw checks which will turn up at the clearing-house the next day. If the parties draw out the notes, these may come back as deposits the next day.

The notes are assets while the bank holds them, but they are liabilities when the public holds them. Each dollar has cost the bank $1.10 and the notes will perform no function that the notes of the old State Bank of Indiana would not perform. Now, suppose that the noteholder could be made safe without the deposited security. Then the bank would have $100,000 of free capital to start with, plus as many notes as the community would draw out and make use of. This amount of notes is all that it can put out, even when it buys them from the Government at $1.10 each. Therefore the $100,000 of free capital is clear gain to the banking business. But, you say, the bank has the interest on the deposited bonds. Yes, that is what it gets out of a permanent investment, but banks are, or ought to be, organized for discounting short-time commercial paper, and not for long-time loans. If long-time loans are wanted in the

banking business, which I respectfully deny, more money can be made by lending on mortgage than by lending to governments.

BANKING ON SECURITIES CANNOT LONG SURVIVE.

I have said that I think that the system of note-issuing on deposited securities is destined to perish. Not only is it erroneous in that it absorbs the bank's capital before its doors are opened for business, but the only securities fit to be used for this purpose are rapidly disappearing and will soon be gone. The note-issuing feature of the national-bank system is moribund already. But the banking feature will not die, even if note-issuing comes to an end. It is so interwoven with the commerce of the country that it will stand, and necessarily stand, for an indefinitely long period with or without note issues. The note circulation of the national banks reached its maximum of three hundred and thirty-six millions in December, 1872. At that time the number of banks was 1940 and their capital four hundred and eighty-two millions. In September, 1891, the circulation had fallen to one hundred and thirty-one millions, while the number of banks had risen to 3677 and the capital to six hundred and seventy-seven millions. This proves that the system is beneficial and is approved by business interests, altogether apart from the note-issuing feature. The reason why is not far to seek. The public have more confidence in the machinery of governmental oversight and enforcement of law, under the national system, than they have under State systems, and this they will continue to have even though some State systems are as good or better. They know that the national system is uniform. It operates in the same way in Washington City and Washington State and everywhere between. When you know this law and the decisions of the courts under it, you know all that is necessary. If you undertake to learn and keep track of the banking laws and decisions of forty-four States and four Territories, you will find your task a heavy one. There is now a movement on foot to secure uniformity of law in the States touching the marriage

relation, wills, conveyances of land, and some other things. As we actually have uniformity of law on the subject of banking, we had best keep it.

HOW TO PRESERVE THE NATIONAL SYSTEM.

Although note-issuing is not a necessary part of the business of banking, it is a vastly desirable part. As has been shown, it is a device for saving both labor and capital in effecting exchanges among men. Hence we may assume that it will sooner or later supplant the present costly method of supplying a currency by means of silver bullion. I think that the national bank note can be preserved and even improved, without bond security, by a slight change in the present law, viz.:

Out of the present tax on bank notes constitute a safety fund to be lodged in the treasury, the amount of it to be computed by actuaries, taking the national bank mortality of the past twenty-five years as a basis. After this sum is reached, let the tax go into the treasury of the United States, as it does now, as a part of the national revenue. Let the Government continue, as now, to be responsible for the notes, and let it retain, as now, a first lien on the assets of failed banks and on the liability of the shareholders.

I am assuming, of course, that *all* the provisions of the existing law except bond security are retained and enforced, so that the ratio of bank mortality shall not increase. The report of the comptroller of the currency for 1891 shows that there have been 164 national bank failures since the system first went into operation. The total amount of circulating notes of these banks outstanding at the time of the failure was $16,209,160. It would take no very long time to collect this whole sum out of the tax on national bank notes, but of course, only a small part of this would be wanted at any one time. This sixteen millions of failed bank notes was all that the whirligig of time brought in from April 14, 1865, to October 14, 1891, twenty-six and a half years. Probably a safety fund, beginning with $5,000,000,

and replenished from time to time out of the proceeds of the tax, would be ample. But suppose it were not. We would still have a first lien on the assets. The assets of these 164 failed banks realized $44,606,561, or nearly three times the amount of their circulating notes. I think it would be entirely safe for the Government to continue its responsibility for the notes on these conditions. We must bear in mind that almost all the banks are sound, and honestly managed, the proportion of bad ones to good ones being as 164 to 3677, or less than five per cent.

BANK FAILURES WOULD NOT INCREASE.

Would the privilege of note-issuing without bond security tend to an increase of bank failures? Would rascals take advantage of the new facilities for note-issuing in order to swindle the public? This is an important question. We have been so accustomed to bond security for bank-notes that we have lost sight of some other requirements of the law, of equal or greater importance. One of these is that every bank must have a paid-up capital and that every shareholder shall be liable for as much more as he has paid in. Moreover, if any bank's capital is impaired at any time, it must be made good. The bona-fide existence of the original capital and the restoration of it, if impaired, are secured by examinations by public officers. Moreover, no bank can issue notes in excess of ninety per cent. of its paid-in capital, while the larger ones are restricted to 80, 75, and 60 per cent. according to their size. Moreover, every bank must have a sum equal to five per cent. of its outstanding notes on deposit at Washington for current redemption purposes. All these provisions are in the way of protection to the note-holder, and they are solid provisions too.

We can now answer the question whether the suggested change in the national banking act will serve as an incentive to deliberate swindling, and thus increase the amount of bank mortality over and above the experience of the past twenty-six years, which we have seen is less than five per

cent. I think that five per cent. of failed bank-notes can always be provided for out of the proposed safety fund, without trenching upon the assets of the bank or the added liability of the shareholders, although I would retain the first lien on the same which the Government now holds for this purpose. I do not believe that people are deliberately going to risk 100 per cent. of their own capital in order to have the chance of cheating to the extent of ninety per cent. of it, and running the risk of the State prison besides. This answers the question whether the suggested change in the law will serve as an incentive to deliberate swindling, or not. I think that the law will be enforced as well and as thoroughly in the future as it has been in the past, probably more so, since each bank failure teaches the comptroller's office some lesson. We ought not to stand shivering over the approaching wreck of the national bank-note system. Those who think that it ought to be preserved should be willing to try some experiments. This world is not made up principally of cheats and rascals. The preponderance of honest and capable men in the banking business, as we can prove, is more than ninety-five per cent. But if worst comes to worst—if bank mortality should increase under the proposed change—Congress is always at hand to make needed amendments to the law. Wisdom will not die with us.

THE "SAFETY-FUND PRINCIPLE."

The safety-fund principle is no new one in our history. It was adopted in New York as long ago as 1829. Each bank was required by law to pay to the State Treasurer one-half per cent. on its capital stock until three per cent. is accumulated. By some mistake or accident in framing the law, the safety fund was made applicable to the payment of all the debts of failed banks instead of the circulating notes only. The preliminary discussion shows that the intention was to protect noteholders only. The contributions to the fund began in 1831. In 1835 the number of safety-fund banks was seventy-six, with a circulation of $14,000,000. The amount in the safety

fund was $400,000. During the first twelve years of its operation no safety-fund bank failed, and the fund was not drawn upon, for although the panic of 1837 had supervened, the suspension of specie payments was legalized for one year, at the end of which time all the banks resumed. In 1841 six safety-fund banks failed, there being ninety contributing banks at that time time and $841,000 in the fund. Then the mistake of making the fund applicable to all the liabilities of the failed banks, instead of confining it to circulating notes, was discovered. Litigation and injunctions, delay and consequent depreciation of notes followed, which we have not time to recapitulate. They have been carefully compiled by the late John Jay Knox.* The upshot is that if the safety fund had been applicable only to the circulating notes, it would have redeemed every failed bank note during the twenty-five years that the system lasted. Millard Fillmore, who was comptroller of the State in 1848, gives, in his report of that year, the exact figures up to that time. He shows that the contributions to the safety fund had been $1,876,063 and the notes of the failed banks $1,548,558, leaving a surplus of $327,505 as against circulation. *This is perhaps the most pregnant fact in the history of banking in this country.* The safety-fund system and the bond-security system ran side by side with each other in New York for nearly a quarter of a century, with comparative results decidedly in favor of the former. Comptroller Flagg, in his report for the year 1846, says: "In the security of the public under each system, our experience in the failure of ten safety-fund banks, and about three times as many of free banks, proves that the contributions of one-half of one per cent. annually on the capital of the safety-fund banks have thus far afforded as much protection as the deposit with the comptroller by the free banks of a sum nominally equal to all the bills issued by them. It will be seen by reference to a statement under the head of insolvent free banks, that the loss to billholders, on the supposition that all the securities had been stocks of this State, and bonds and mortgages, would

*See *Rhodes' Journal of Banking*, April, 1892.

have been over sixteen per cent., while the actual loss has been nearly thirty-nine per cent." The constitution of New York, adopted in 1846, makes noteholders preferred creditors of all failed banks. It may be remarked here that this preference of the claims of noteholders upon the assets of failed banks has become an axiom in banking law and science, and is no longer called in question.

The late Mr. Knox, whose authority is far greater than mine on any banking question, argued in his report as comptroller of the currency for 1882, against the safety-fund plan and all other plans for keeping the national bank-note system alive without bond security. I mention this lest I may seem to have overlooked it. Mr. Knox changed his mind on this subject completely a few years before his death, as he told me and others.

It is proper, nevertheless, to notice one of the arguments in his 1882 report, viz.: That although the assets of failed banks when taken together are ample to reimburse the Government for the redemption of failed bank notes, yet some bank failures are worse than others, and some of them would leave hardly anything in the way of assets. Of course, we could not make good the deficit of one bank with the excess of others. The State of New York once had a similar difficulty to deal with. When she discovered that the blundering legislation of 1829 had left a shortage in the safety fund, she made it good by an issue of her own bonds and reimbursed herself out of the safety fund when subsequently replenished. The National Government could do the same, and having the taxing power always in hand would not need to wait long for reimbursement. For Mr. Knox's later views, see an officially published "Interview between the Committee on Banking and Currency of the House of Representatives and John Jay Knox, on the 16th day of January, 1890," page 14.

The comptroller of the currency in his last report recommends an extension of the present bonded debt of the United States for twenty, thirty and forty years beyond its present term at two per cent. interest for the purpose of continuing

the national bank notes. There are serious objections to this plan from political and economical points of view, but an equally serious one from the banking point of view is that it is inadequate. If carried out, it would leave the banks just where they are now. There is no profit in banking on a two per cent. bond. The present marasmus would be continued indefinitely. We hope for something better. We ought to strive for a system that will be really elastic and responsive to the wants of trade. The present system is as stiff as a ram's horn and almost as crooked. One popular argument brought against the national banking system is that in order to get $90 of circulation we must first withdraw $100 from the community. This is a valid criticism as regards the localities not provided, or inadequately provided, with banks.

An objection may be raised in reference to the source of the proposed safety fund. This source is the present tax on national bank notes. It may be said, on the one hand, that this is a part of the national revenue and that it cannot be spared, and on the other hand that if it can be spared it ought to be repealed. In answer to the latter objection I venture to say that this tax never will be repealed until some way is found to carry on government without revenue. Moreover it ought not to be repealed. As regards the Government's need of this particular item of revenue: The tax for the fiscal year 1891 amounted to $1,216,104—a very small amount in the sum total of Government receipts, but I agree that at the present time the treasury needs to look after its sixpences. This tax is one per cent. per annum on circulation. If the requirement of low-interest bond security were relaxed, the tax might be doubled without harm or injustice. We have seen that the Government of England exacts two per cent. interest or tax from the bank on all fiduciary note issues over and above the original £14,000,000. But if such a tax should be really oppressive under the new conditions, the excess would be remitted as soon as the safety fund had reached the required limit.

I should consider it indispensable that the Government should continue to be, as it is now, responsible for the note issues. I think that any government, national or State, should be responsible for everything that it allows to circulate as money. A right step in this regard was taken in the Silver-Purchase Act of July 14, 1890, which makes the Government responsible for the redemption of the silver notes in gold. True, this act is only declaratory of the policy of the United States, but it is mandatory upon any honest secretary of the treasury, and I venture to say will never be departed from.

BANK-NOTE INFLATION.

The question may be asked, what is to be the limit to national bank notes issued in this way? At present the limit is fixed by the deposited securities. What guarantee shall we have against currency inflation, if currency can be had on such cheap terms? The answer is that the law now limits the circulation of banks to ninety per cent. of the paid-in capital of the smaller ones, and to eighty, seventy-five and sixty per cent. of the larger ones. We do not propose to alter that, although we have seen that the State Bank of Indiana was allowed to issue notes to the amount of double its capital, and the banks of Louisiana could issue without any limit at all, and that these institutions were almost the only ones in the country that did not suspend in the panic of 1857. There is hardly time to go into an argument to show that there can be no such thing, under modern conditions, as bank-note inflation on a gold basis. I might quote many authorities on this point, but I will refer you to the latest treatise on banking, and one of the best I am acquainted with—that of Professor Dunbar. This author shows in simple language, and with illustrations that anybody can understand, that a bank is powerless either to put out notes or to keep them out. That power resides exclusively in the hands of those who hold checks on the bank and have the right to draw money from it. What is called bank-note inflation is a consequence and not a cause of general inflation. You all

remember, doubtless, the commercial crisis of 1873, and if you do, you remember that the requirement of bond security for bank notes did not prevent it from being one of the most disastrous panics in our history.

STATE BANK NOTES.

If the plan here sketched, or something like it, should be adopted, there would be no need of State bank notes, since every facility that a State could grant for the issue of a sound and safe currency would be granted by the National Government. I take it that nobody is in favor of an unsound or unsafe currency. I feel sure that any political party which fathers an unsound or unsafe currency will be severely dealt with at the polls. I know that there is a deep-seated prejudice against national banks, but that prejudice grows out of a belief that the banks draw interest on the bonds and on the notes at the same time, and thus make a double profit. It cannot exist if there are no bonds there, but if, in place thereof, each bank is required to contribute to a safety fund. Probably such a measure would put an end to silver purchases, since there could no longer be any apprehension or pretence of a shortage of currency. The danger of free coinage of silver has, in my judgment, passed away, notwithstanding some mutterings on the horizon, leaving nothing but the Purchase Act as a disturbing element.

In conclusion, gentlemen, I remark that *you have got to do something*. Time is running on. The national-bank system is running out, and nothing is taking its place. Every instructed person knows that governments have no facilities for furnishing money to their people, and ought never to do such a thing, and never can do so without producing mischief. All the financial heresies of the past quarter of a century have had their origin in the Legal Tender Act of 1862. This has been the parent of an unnumbered progeny of wrong ideas. To give a history of all the bad monetary conceits that have been enacted into law, or are waiting to

be enacted, or have been killed or temporarily stunned during the past quarter of a century, would take more time than we have at our disposal. The largest part of my work as a journalist during that period has consisted in clubbing financial heresies which have had their root in the Legal Tender Act, and would otherwise never have existed.

HORACE WHITE.

New York City.

AMERICAN BANKING AND THE MONEY SUPPLY OF THE FUTURE.

It seems to me that the subject of banking, and its kindred topic, the currency, is often treated by those who are presumed to know most about both, in a manner altogether too complicated, too confusing and therefore discouraging to the reader or listener. The necessity for this I never could fathom, for each is quite as simple in its nature as the problems children solve at thirteen, and far less difficult to comprehend than the questions often put to Civil Service candidates. If the air of mystery and the element of obscurity indulged in so often is supposed to carry with it the semi-sanctity of unusual profundity which the teacher or speaker possesses, I think the effect is miscalculated, and that this obtuse, elaborate and muddy way of furnishing information is rather likely to cause the suspicion that the learned authority is rather deficient, than that he is overly equipped in the science and practice of that which he essays to enlighten others upon.

It will make itself clear from start to finish that the writer of this small contribution to the common stock of familiar information prefers the simple and direct rather than the complex and roundabout way of presenting his views upon an everyday and naturally simple and easily understood question.

FOUR PERIODS IN AMERICAN BANKING HISTORY.

Banking in the United States may be said to have gone through four epochs, beginning earlier than the Union itself, and ending with the adoption of a more complete and efficient system than our present has come to be.

Prior to the year 1781 we can scarcely say we had much, if any, banking as we now understand it, for with the Bank of North America, founded December 31, 1781, and

still in existence at Philadelphia, the idea of banks uniting the functions of circulation, deposit, exchange and discount may fairly be said to begin. The earliest so-called banks were in reality not banks but a series of issues of colonial notes by the separate Colonies. The history of the disasters accompanying and following such issues would of itself make a fair sized-pamphlet.

OUR FIRST BANKING PERIOD.

The first epoch then may start with the conception of the Colman Bank, which really never got farther than that, and which carries us back to the year 1715. The Land Bank, organized in 1739, had back of it no capital, but did business upon mortgages given upon their estates by the stockholders. Its failure need hardly be told and the suffering it entailed upon the stockholders and the public was a matter of notoriety down to the time of the Revolution. The Specie Bank, while its name was a good one, proved, largely because it never had but a trifle of specie, a failure, and wound up its affairs so quickly that it has not left much of an impression upon the early financial history of the colonies.

OUR SECOND BANKING PERIOD.

The second epoch begins then with the Bank of North America and properly ends, it seems to me, in 1838, when the State of New York established the idea, for the first time in any systematic way in the history of the world, of securing circulating notes by the deposit of collateral. The Massachusetts Bank was the next great bank, historically speaking, and it was chartered in 1784, and following this a bank was chartered in New York and another in Maryland. In 1791 the first bank of the United States was chartered by Congress and its capital of $10,000,000 was partly made up of cash and partly, in fact, mainly, of bonds of the United States. It is likely that by the year 1812 there were as many as 125 banks in the United States in more or less active operation, though no perfectly accurate statement in this matter can be now made. The cardinal weakness in the banking of this

second epoch was the lack of security for the noteholder and the total want of ordinary business prudence in maintaining proper specie reserves for the redemption of circulating notes, so that the general suspension of specie payments in 1814, which, however, did not include the New England banks, was in no way surprising. The charter of the first bank of the United States expired in 1811. In 1816 the second bank of the United States was chartered, and it began business with the opening of the year 1817, and had a capital of $35,000,000, the Government taking $7,000,000 of its stock. On starting it had less than $2,000,000 of specie, the balance consisting of bonds, stocks and the notes given to it by its stockholders in payment for their subscriptions to its capital. This bank had a checkered existence, was part of the time insolvent, but ran along until its charter expired in 1836, in a kind of haphazard, reckless manner, and those who read its history now can scarcely decide whether its capital was oftener employed in business or in politics. It never actually failed, as it was merged into The Bank of the United States, chartered by the State of Pennsylvania. This last bank failed most disastrously; and when it suspended in October, 1839, a large share of its stock was found to be owned in England, while its management was wholly American, and savored more of speculation than business. When it finally and forever closed its doors in February, 1841, it left behind it an odor of rascality and incompetence which lasted for a generation.

The history of banking in the several States during this second epoch reads like a romance, and no portion of the political history of the country is more interesting, as it covers the entire period of the struggle between the Bank of the United States and the Whigs on one side and President Jackson and the Democratic party on the other. During this epoch the gold dollar of the United States was established while Mr. Jackson was in office, at twenty-three and one-fifth grains (23.20 grains) of fine gold. The great Democratic battle for honest money was won during this same period, and it is back to the history of this great fight we turn when as Democrats

we contend for an honest dollar. It is well to remember that since 1873 nothing in the United States can be called an honest dollar which is not promptly convertible into a gold dollar of 23.20 fine or its equivalent.

THE THIRD PERIOD IN AMERICAN BANKING.

The third epoch in American banking begins with the passage by the New York Legislature, in 1838, of a bill requiring the securing of bank notes by the deposit of stock. This marks the greatest change in our banking history. It revolutionized the theory and practice of banking, not only in America, but in England, for in 1844 the English Bank Act practically established the same idea, and to this day Great Britain has shown no disposition to depart from it. From 1838 on, New York has had an admirable banking system, and while her banks have been carried down into temporary suspension by the recklessness of methods West and South, noteholders have in the end realized full value for notes regularly issued in New York after the year 1838. If other States had followed the example of the State of New York the wild and furious periods of speculation which culminated in the suspension of 1857, and which we so quickly overcame, would have been avoided and our financial history in the fifties would not be clouded with the "wild-cat," "red-dog," "stump-tail," "coon-box" bills which few remember much about in any accurate way, but which exist in a kind of indefinite cobweb of recollections only to produce frequent spasms of financial nightmare during political campaigns.

THE FOURTH CHAPTER IN AMERICAN BANKING.

The national banking system which begins the fourth epoch in our banking history began in 1863, but properly speaking, it should date from 1865, when the ten per cent. tax upon State bank circulation forced all banks of issue into the national system. Just here we must not fail to remember that at this time (1865) there was practically no such thing as "wild-cat" money, and the State bank notes and State

banks themselves were so popular and had such a strong hold upon the business public, and were in such high favor with the people, that it required the most enormous rate of taxation ever known in history and the most arbitrary commercial law ever passed by Congress to force the notes of State banks out of circulation. In this connection, too, it is a most significant fact that out of the great sum of $150,000,000 of State bank notes in circulation, practically, all of it was redeemed in full and without entailing loss upon the holders. A still more striking commentary upon the excellence of State bank-note circulation is the fact that for years after the passage of the National Bank Act the notes of a number of State banks were worth far more than those of any national bank. You could buy with one dollar of State bank money as high as two dollars, and even two dollars and eighty cents in national bank notes in 1864. In fact, from 1861 on, until they entirely disappeared from circulation, the notes of a number of State banks were always very much more valuable than the legal-tender notes of the United States. This is especially worthy of mention when the ignorant, the hasty and the prejudiced cry out against all bank notes issued under State authority.

The national banking system had little that was novel in it, practically nothing which was not fully known to every one familiar with the banking systems of New York, Ohio and Indiana. It consisted of the issue of notes by banks incorporated by the United States, all of which bore the guaranty of the United States, government bonds being lodged with the United States as collateral security. This system of banking has been eminently satisfactory and extremely useful to the public, and was of great advantage in raising and maintaining the public credit between 1863 and 1866. The chances are that if Government bonds were in abundant supply now that the most trifling changes in the system would be needed to render it continuously satisfactory to the nation. As it is, however, the rapidly decreasing supply of United States bonds, their high price and the low interest

return they give the banks, all point to the extinction of bank-note circulation in 1907 and its gradual and yet rapid reduction meanwhile.

We are, therefore, close to the end of the fourth epoch in American banking, and may properly consider what should be and what is likely to be the fifth.

OUR BANKING FUTURE.

In entering upon this subject it is necessary, I think, to lay down some general principles controlling the currency, and the relation of our National Government to it, before presenting a plan which will provide for the establishment of these principles, and upon them erect a banking system which will enable us to forecast what the money supply of the future is likely to be.

I accept it as a fixed principle that we can only have at any one time a single standard of value, and need not stop to argue the matter with such an audience as this is addressed to. We must choose between gold, the standard of enlightened nations like England, Germany and France, or, silver the standard of Mexico, South America, China, Africa, and, for the present, India. I assume that we shall decide permanently in favor of the Democratic gold dollar 23.20 grains fine as the ultimate standard of the United States. We are justified in this by the action of Congress last winter on the free coinage of silver and its present attitude in connection with the crazy speculation in bar silver which has gone on since 1878 under the Bland bill of 1878 and the Act of 1890, so often called the Sherman bill, but unjustly so, as it never at any time reflected the views of Mr. Sherman except as a compromise measure. Considering it settled then that gold and gold alone is to be the permanent, as it has been since 1873, the sole legal standard of value in the United States, it follows that all other forms of money, whether of paper or coin, must always be kept at par with gold and be promptly redeemable in it.

The next principle to be recognized is that the issuing of promises to pay by the United States, intended to circulate

as money, is improper, never should have been adopted, has cost us, directly and indirectly, half as much as the war of the rebellion, and is to-day the cause of our having in the treasury over 416,000,000 ounces of silver, which has cost the nation over $80,000,000 more than its present market value and probably over $200,000,000 more than we shall ever realize for it.

Just how the present legal tender paper circulation of the United States shall be recalled and paid off and the Government got back to where its financial functions will be limited to the collection of money by taxation and its disbursement for legitimate national expenses, this is not the place to speculate upon, nor this the time to make recommendations. Suffice it to say, the Government's sole relation to business, and its only connection with the money market and the supply of currency, should consist in controlling wisely and honestly the coinage, and its functions here should be limited to the easy task of coining, without limit, gold, which is our standard of value, and in limiting the coinage of silver to the sum which experience shows we can use, and which will not vary much from one standard silver dollar for each soul in the country.

The great curse to business, as well as the principal drawback to enterprise, during the last thirty years—except, of course, the war from 1861 to 1865, and our ignorant and selfish tariff system—has been the control of Congress over the volume and the value of the money supply of the country.

A COMMONPLACE BUT MOST EFFICIENT BANKING SYSTEM.

Accepting the few cardinal, strikingly simple and manifestly wholesome principles just stated, the bill quoted below, and known as "H. R. No. 9770," presents a solution for the financial questions which will then remain to be settled, and if once made the law of the United States will require little change or alteration afterward. Under the operation of a law like this business would be independent of Congress, and the supply of money in the United States would at all times

be ample and also automatic, and it would therefore be marked by an elasticity and flexibility in volume which it has been a stranger to ever since the Government began to interfere with, and control, our money market, as it did on the outbreaking of the Civil War in 1861.

Little explanation of the provisions in the bill will be needed by even the least professional or practical reader, and it is submitted without further comment, except that which follows it and which is confined to answering the objections made to it in some quarters. It may be proper to remark that, with the Government confining itself to its legitimate duties, it is quite clear that under this law the currency of the United States would consist of gold, and of national and State bank notes, all promptly redeemable in gold, and of silver, nickel and copper coins for making change.

52D CONGRESS,
2D SESSION.

H. R. 9770.

IN THE HOUSE OF REPRESENTATIVES.

DECEMBER 7, 1892.

Referred to the Committee on Banking and Currency and ordered to be printed.

A BILL

To provide for the issue of circulating notes of National and State banking associations upon securities other than United States bonds, for the taxation of the circulating notes of National banks, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the United States shall not hereafter guarantee the payment of circulating notes issued by any bank, banking association, or private banker.

SEC. 2. That there shall be no limit to the amount of circulating notes which any national banking association may issue, except that such notes shall at no time exceed ninety per centum of the par value of the bonds deposited to secure the same by such association.

SEC. 3. That every national banking association, after the same has been fully organized, may at all times have on hand, in the custody of the Comptroller of the Currency, such amount of its circulating notes ready for issue upon the deposit of the securities, as hereinafter

provided, with the Treasurer of the United States as shall not at any time exceed the par value of its paid-up capital stock.

SEC. 4. That State banks, State banking associations, and bankers expressly authorized under State statute to issue circulating notes shall pay no Federal or United States tax upon such notes: *Provided*, That all such notes are secured in the same manner and to the same extent as the notes of national banks, that is, by bonds of the precise character described in this bill, which bonds must be duly deposited with a properly designated State officer in the State in which the issuing bank, banking association, or banker is domiciled; and every national banking association shall pay a tax upon the circulating notes issued by it and in circulation at the rate of one-fifth of one per centum per annum upon the average amount of the same, not exceeding ninety per centum of the capital stock actually paid up in cash, one per centum per annum upon the average amount of such notes in excess of ninety per centum and not exceeding one hundred and eighty per centum of the said capital, and ten per centum upon the average amount of such notes in excess of one hundred and eighty per centum of said capital. Such taxes shall be payable semi-annually, and shall be collected by the internal revenue collectors of the United States.

SEC. 5. That in addition to the United States bonds now required by law to be deposited with the Treasurer of the United States to secure the circulating notes of national banking associations, the Comptroller of the Currency is hereby authorized and required to accept registered bonds issued by any railroad corporation or city in the United States, and deposit the same with the Treasurer of the United States in behalf of any such association as security for its circulating notes, subject to the following restrictions:

First.—The principal and interest of all such bonds shall, in expressed terms, be payable in gold coin of the United States.

Second.—All such bonds must have been continuously listed upon some regular stock exchange, located in a city of the United States having a population of not less than five hundred thousand, for at least five years.

Third.—No bond shall be accepted upon which payment of interest has at any time been in default, or which at any time within three years prior to the date of its offer for acceptance has sold publicly upon any stock exchange where it was listed for less than one hundred and five cents on the dollar of its face value.

Fourth.—No bond shall be accepted if the total tax levy of the city issuing it exceeds two per centum per annum.

Fifth.—No railroad bond, not regularly secured by mortgage upon the roadbed and track, shall be accepted.

Sixth.—No association shall be permitted to have more than twenty per centum of its bonds on deposit of the issue of any one railroad corporation or city.

Seventh.—Whenever any class of bonds on deposit has been publicly sold below par for a period of thirty days upon any stock exchange where listed, the Comptroller shall require a bond to be substituted which will in all respects meet the requirements of this act.

Eighth.—Whenever any railroad corporation which was paying dividends upon its stock when its bonds were accepted by the Comptroller ceases to pay dividends, the substitution of other and proper bonds shall be required.

SEC. 6. That the Comptroller, with the consent of the Secretary of the Treasury, shall have the right to reject any class of bonds he sees fit, and to require proper substitution for any already on deposit considered undesirable.

SEC. 7. That no association shall hereafter be required to keep on deposit with the Treasurer of the United States any further security or fund for the payment of its circulating notes than those provided for and required by this act.

SEC. 8. That any president, vice-president, manager, secretary, treasurer, or other officer of any interstate railroad who shall knowingly issue, or permit to be issued, any false statement of the earnings, expenses, or condition of the road he is officially connected with, shall be subject to indictment and trial in any court of the United States, and if found guilty shall be imprisoned at hard labor for not less than ten years nor more than twenty years, and be subject to a fine in addition of not more than one hundred thousand dollars.

SEC. 9. That for the further protection of the holders of circulating notes, the United States shall have a first lien upon the assets of each national banking association for the payment of its notes, in addition to the bonds deposited with the Treasurer of the United States as security.

SEC. 10. That a fund of one million dollars shall be created out of the taxes collected under this act from national banking associations and shall be maintained from the same source, and if the proceeds of the bonds deposited to secure the circulating notes of an association and the first lien upon its assets together are insufficient to redeem the outstanding notes of the association, then the deficiency shall be made good from this fund.

SEC. 11. That the notes of no national banking association shall be a legal tender in payment of any claim due to the United States, and when a national banking association has been placed in the hands of a receiver, its circulating notes shall cease to be received in payment of any obligation due and payable to the United States.

SEC. 12. That all parts of existing laws which are in conflict or inconsistent with the provisions of this act shall be, and hereby are, repealed

OBJECTIONS CONSIDERED.

The first objection made to the bill is that the notes would be open to the cry of "wild-cat," due to insufficient security. This falls to the ground when it is found that no notes of any bank in the world, except possibly those of our national banks (whose present security must disappear with the payment of the debt of the United States), are as amply secured. The notes of the Canadian banks, so justly esteemed, have no such security behind them; those of the Bank of France have no special security; those of the Reichsbank, of Germany, and the other thirteen banks of issue have none until their volume exceeds 385,000,000 marks ($91,630,000).

The security provided by this bill for all notes, State and national, would be on an average (measured at all times by gold) twenty per cent. greater than that pledged for the notes of the Bank of England. The market value in gold of the security proposed (and which would be behind the notes of even the most remote or inaccessible bank) would be about double the average gold value of the security which was behind our national bank notes—in the shape of United States bonds—from 1863 to 1865. It hardly seems necessary to say more in this connection except to remark that you will notice it does away with the improper use of the Government guaranty upon circulating notes, which is as useless on a properly secured bill as it has always been improper. One thing more, however. If the notes of all banks in the United States had been so secured ever since railroading and modern business methods made it possible, no holder of a note (State or national) in all this period would ever have lost a farthing! If this had been the law in 1860 it is hardly necessary to say the war might have been carried on upon a gold basis, not a dollar of legal-tender paper need have been issued and the direct cost of the struggle would have been cut almost in two; and if this had been the

law we would have avoided that constant interference of the Congress of the United States with the volume of the currency, which has kept the business of the country at sixes and sevens most of the time since 1866. Again, if this had been the law the United States would not be the unhappy owner of silver costing over $429,000,000, for all of which it owes its notes, all practically payable in gold, while not except by a miracle could it get $200,000,000 for this load of pig metal. We should have been saved a loss of say $225,000,000 yet to be made up by taxing the people, for all of this would have been avoided had this simple, safe, equitable and efficient bill been the law of the United States.

The next criticism is that it would provoke counterfeiting and give us too great a variety of paper money. To this I answer that counterfeiting in 1865 had dwindled to a point where it was an unimportant feature, notwithstanding the great variety of bills in circulation. Since 1865 we have wonderfully improved our bank note engraving and we are so superior in this direction to Europe, where they suffer little from counterfeiting, even with their poorly executed notes, that we need borrow no trouble on this score.

Again, learning from the practice of the United States, it is likely that each State would have one form of note and every State and all of its banks would be constantly on the lookout for, and quick in the punishment of, counterfeiting. While the law provides, as it should, and as any fair, just measure must, for State bank circulation, in the end it is probable that our paper circulation under this law would be mainly, perhaps exclusively, that of national banks, because with the rate of tax placed on circulation by the bill, capital would find it more profitable to organize under the national than under any State bank system; for few, if any, States could meet the expenses attending a local system without taxing the circulation of their own banks more than the United States need that of the national banks. Add the undoubted fact that national banks would enjoy a higher general credit than State banks, and we see that the passage

of this law (after the United States had retired its paper promises to pay) would result in the simplification of our paper currency and still further remove it from the dangers of counterfeiting. And, speaking of counterfeiting, the real, present and future great danger of counterfeiting is found in our silver dollar, for any fairly expert mechanic can make a silver dollar in all respects, in weight, fineness and appearance, equal to the United States standard dollar for not over sixty-six cents to-day. If we go on cheapening the cost of turning out silver he will be able to make a dollar very much cheaper. To-day it is probable that the actual cost of a spurious silver dollar to some of the Creede, Colorado miners, would not be over eighteen to twenty cents, while some Colorado miners could produce silver dollars as heavy, of as pure material, and quite as perfect otherwise, as the United States standard dollar, at not over eleven cents each.

The charge made that notes issued under this bill would prove objectionable on account of inconvenience in their not being current everywhere, or that domestic exchange would rise in consequence, becomes so very baseless when we remember that to have even local or, if you will, a purely home circulation would require them to be kept there at par with other money, that I dismiss it rather than take your time to answer it.

A PREDICTION.

Finally, I make the prediction, with confidence, that within fifteen years after this bill becomes the law of the United States its leading features will be adopted by a number of other nations, and that inside of a half century it will practically be the banking law of the commercial world, and that long before that, if we continue to keep gold as our sole standard of value, the world will discard the clumsy pound sterling as its measure of value in international trade, and that the 23.20 grains fine gold dollar of the United States of America will be the basis upon which the trade of the world at large will be conducted.

I crave for the evident lack of care in the preparation of this article the indulgence of those who read it, and enter the plea of justification, inasmuch as it was written when crowded day and night with public duties which I could not put aside.

MICHAEL D. HARTER.

House of Representatives.

STATE AND NATIONAL BANK CIRCULATION.

Discussing the subject of State and national bank circulation, I said in my recent report. . . . The Constitution of the United States prohibits the States from coining money or making anything except gold and silver legal tender. State-bank bills could not become a legal tender. Neither are national-bank bills. State-bank bills when issued add just so much to the liabilities of the bank. They would circulate freely in times of prosperity and confidence. In times of monetary stringency and general distrust they would return to the banks for redemption. They would have to be redeemed in legal-tender money provided by Congress. Congress must, under the Constitution, provide all the money that possesses a full debt-paying power. By every consideration of sound business principles it should provide all the money that the country requires. No public interest can be served by dividing this function with the forty-four States. Every period of financial depression in the past resulted in the suspension of specie payments, more or less general, by the banks; that is, resulted in the inability of the banks to redeem their notes. The same conditions would produce similar results in the future. If State-bank notes are allowed to circulate, their acceptance is not voluntary; it becomes a business necessity. Many mine-owners, manufacturers, and large employers of labor practiced paying their help in store orders, in order to control their trade and make the extra profit. Surely, under the law, the acceptance or rejection of such orders was purely voluntary, and yet their acceptance for fear of losing their employment was general.

So great did this abuse become that many States have enacted laws compelling corporations to pay their laborers, at regular intervals, in money. The wealthy class could provide themselves with the means of discriminating against

the notes of weak banks, and if they found themselves possessed of any would proceed to work them off upon their less fortunate neighbors. This is the record of the past. It would be the experience of the future. To the average laboring man a bank-note reporter and detector would be as inexplicable as the binomial theorem. When a bank suspends, the fact that the note is secured and will be eventually paid is poor consolation to the laborer who needs his money for his daily use. The note of a failed national bank is as good as that of any bank in the system. The restoration of State-bank circulation portends disaster to that class of our citizens who most need and have most right to ask protection from the Government. State-bank circulation loses its money power in a crisis. It is a source of weakness and adds to the danger. Instead of paying debts it comes forward itself to be paid. . . .

Ninety per cent of all business transactions are represented by credits and, says Edward Atkinson, in the "Engineering Magazine," "The Government does not attempt to exercise any supervision in respect to these drafts, checks and bills of exchange" which represent such credits. He then says a bank note "is a check drawn or made by the officers of the bank upon the funds of the bank," and argues that it should be allowed to circulate without tax or interference by the Government, precisely the same as checks. This is specious reasoning. No man accepts a check without inquiry as to the credit of the drawer and drawee, and if the same is not honored he may cause it to be protested and recover from the party from whom it was received.

It is not practicable to require an endorsement upon State-bank bills, with a view to charging an endorser, and with one such endorsement they would cease to circulate. A thousand dollar payment may represent twenty different banks. If bank bills were so treated they would be no better than checks. They would not answer Mr. Atkinson's wants. Checks must be paid. He wants State-bank bills as *money* not to be paid in money. They are "not capable of being

forced upon an unwilling person," says he. That statement is theoretically true, but practically it is wholly false. A banker, or large merchant or manufacturer, may be in a position, equipped with skilled men or expert information, to exercise discrimination between the strong and weak banks. But what can the artisan, the day laborer, the miner, or the farmer know of such a matter? From the nature of their calling they can exercise no discrimination. They know, and they can only know, that the Government allows such bills to circulate, in form and semblance of money, and they have the right to hold the Government responsible that it be worth 100 cents on the dollar, whether it comes from New York or New Mexico.

If allowed to circulate, their acceptance would follow as a necessity of the situation by that class who have most need of protection.

I am frequently asked by business men to explain the different kinds of paper money in use, and usually answer by reading to them from the bills in their own pocket. The information they ask is printed upon the money they carry. That indicates how little attention people give to the money they receive and shows that its soundness and freedom from counterfeit is such that there is little need to give attention to anything but the numerals.

There is nothing more fallacious than the idea that we can have good local currency—good, for instance, in Kansas but not good in Pennsylvania. It might pass at par in Kansas and at a discount in Pennsylvania; still its purchasing power would be equal in both places. The discount in Pennsylvania would be equaled by a corresponding increase of the cost price in Kansas. That is an inevitable law attendant upon depreciated currency. A good draft upon New York is worth more than a good draft upon St. Paul, because it will be accepted over a wider area and by a larger number of people. A Bank of England note is worth more than any other paper money, because it is known and will be accepted in all commercial nations. Some one may say

a draft upon St. Paul is worth just as much to an inhabitant of St. Paul as a draft on New York. If St. Paul had no business with the outside world that would be true. But the same commercial laws that give added value to New York exchange would apply to citizens of St. Paul as well as other cities.

The wider the area in which money will be accepted as good, the greater the value of such money.

If the forty-four States are to share with Congress the issuing of paper money then will we have a chain of sovereignties, each with varying laws and varying systems. At present, in thirteen States the issuing of circulating notes is prohibited. In fifteen States there is no provision of law authorizing State banks to issue circulating notes. In the remaining sixteen, circulation is provided for with widely varying provisions as to amount and security.

The profit upon bank circulation depends upon the length of time it remains outstanding. State banks, in order to get their circulation into general use and keep it outstanding, would seek to arrange with city correspondents for its redemption. The competition for bank accounts is so intense that all our cities would be drawn into the meshes and whatever might be weak or bad in this State-bank circulation, would not be confined to the place of issue, but extend to the whole country. Currency cannot be localized by States.

Mr. White's proposition is that "The national banking system, note issues and all, can be and ought to be preserved after the bonds have been paid off—that no bond security need be substituted in place of those now used—and when this change is made there will be no need of State-bank issues, since all that the States can safely do, the general Government can do better."

I cordially endorse the proposition as a whole, but think circulation should be secured. The payment and extinction of the national debt in the immediate future is an erroneous assumption. If national banks and national-bank circulation exist until that period arrives we shall leave them as a

heritage to our children. United States bonds are the choicest, safest and least profitable investment at the present time. When they cease to exist, of necessity, other securities, suitable for the purpose, will exist. Those who insist that circulation needs no security, other than to be a preferred claim against the assets of a bank, strengthened by stockholders' liability and safety-fund provisions, usually assume that the function of Government ends with securing and protecting noteholders. The Government goes further and by restrictive legislation and supervision seeks to protect all creditors, and incidentally stockholders, though stockholders stand in the position of guaranteeing creditors.

The business of banking has undergone many changes in the last thirty years. The purely commercial functions, as formulated in text books and laid down by the courts, as the business of a bank, fail fully to describe the banking of to-day. Banks of discount and deposit have become large owners of securities. The banks in the twenty-three reserve cities owned on December 9, 1892, $40,474,850 in United States bonds. This ownership was largely compulsory. But on the same date they owned $64,695,256.96 in other securities the ownership of which was wholly voluntary, and the total holdings of all the banks, on that date, of securities other than United States bonds, were $153,648,180.71.

Since banks voluntarily own securities it would not be an onerous provision to require them to own proper securities as a basis for circulating notes.

No holder of a national bank-note has ever lost anything by reason of a bank failure. How would it have been had not the statute required bonds as security for such circulation? During the thirty years' existence of the national banking system 181 banks have failed. Of the 181 failed banks, thirty-nine have paid creditors in full, principal and interest; six principal and part of the interest, and thirteen principal only. The affairs of 110 banks have been finally closed, leaving seventy in process of settlement, of which sixteen are virtually closed, with the exception of pending litigation,

fifty-four receiverships being in active operation. One bank was permitted to resume business.

The total amount so far paid to creditors of insolvent national banks has been $48,052,938 upon proved claims amounting to $70,830,366.

Of course there are some remaining claims to be proven and a large amount of assets to be distributed in dividends. In thirty-three of these banks, whose affairs have been finally closed, the total amount of dividends paid was less than the amount of circulating notes outstanding, and but for the bonds required as security, noteholders might not have been paid in full.

In the case of nineteen banks, whose date of failure ranges from April 22, 1884, down to July 22, 1892, and whose affairs are not finally closed, the noteholders would not have received payment at the present time.

The total circulation of these fifty-three banks was $3,310,529, total dividends $2,095,678.

List of Insolvent National Banks, dividends paid and circulation issued, of associations whose dividends were less in amount than the circulation outstanding.

TITLE.	Date Failed.	Dividends Paid.	Circulation Issued.
*Merchants' Nat'l Bank, Washington, D. C.	1866	$165,769	$180,000
*First National Bank, Medina, N. Y.	1867	$32,305	$40,000
*Tennessee Nat'l Bank, Memphis, Tenn.	"	65,335	90.000
*National Unadilla Bank, Unadilla, N. Y.	"	58,661	100,000
*Croton National Bank, New York, N. Y.	"	143,307	180,000
Total	4	$299,608	$410,000
*National Bank of Vicksburg, Miss.	1868	$16,654	$25,500
*First National Bank, Rockford, Ill.	1869	$29,277	$45,000
*First National Bank, Fort Smith, Ark.	1872	$15,142	$45,000

* Finally closed.

TITLE.	Date Failed.	Dividends Paid.	Circulation Issued.
*First National Bank, Petersburg, Va. . .	1873	$125,667	$179,200
*Merchants' Nat'l Bank, Petersburg, Va. .	"	259,487	360,000
*First National Bank, Topeka, Kans. . .	"	31,668	90,000
Total	3	$416,822	$629,200
*First National Bank of Utah, Salt Lake City, Utah	1874	$19,002	$118,191
*Cook County National Bank, Chicago, Ill.	1875	$228,412	$285,100
*Fourth National Bank, Chicago, Ill. . .	1876	$18,258	$85,700
*First National Bank, Bedford, Iowa . .	"	12,624	27,000
*First National Bank, Osceola, Iowa . .	"	34,536	45,000
*Watkins National Bank, Watkins, N. Y.	"	60,647	67,500
*First National Bank, Greenfield, Ohio .	"	9,456	29,662
Total	5	$135,521	$254,862
*First National Bank, Ashland, Pa. . . .	1878	$33,105	$75,554
*First National Bank, Waynesburg, Pa. .	"	21,710	69,345
*First National Bank, Dallas, Tex.	"	29,377	29,800
*People's National Bank, Helena, Mont.	"	66,810	89,300
*Merchants' Nat'l Bank, Fort Scott, Kans.	"	16,670	35,328
*Farmers' National Bank, Platte City, Mo.	"	11,803	27,000
Total	6	$179,475	$326,327
*National Bank, Poultney, Vt.	1879	$88,176	$90,000
*First National Bank, Monticello, Ind. . .	"	20,998	27,000
Total	2	$109,174	$117,000
*City National Bank, Lawrenceburg, Ind.	1884	$26,809	$77,000
First National Bank, St. Albans, Vt. . .	"	72,967	89,980
*Hot Springs Nat'l Bank, Hot Springs, Ark.	"	39,812	40,850
*First National Bank, Jamestown, N. Dak.	"	8,807	18,650
Total	4	$148,395	$226,480
*First National Bank, Angelica, N. Y. . .	1886	$66,394	$89,000
*Palatka National Bank, Palatka, Fla. . .	1887	$9,492	$19,210
First National Bank, Sheffield, Ala. . . .	1889	$11,901	$22,500
First National Bank, Alma, Kans. . . .	1890	. . . .	$16,875
First National Bank, Mead Center, Kans.	"	$5,553	$10,750
Total	2	$5,553	$27,625

* Finally closed.

TITLE.	Date Failed.	Dividends Paid.	Circulation Issued.
Second National Bank, McPherson, Kans.	1891	$7,338	$11,250
*AsburyPark Nat'l Bank, AsburyPark, N.J.	"	8,753	20,700
Ninth National Bank, Dallas, Tex.	"	14,147	45,000
First National Bank, Red Cloud, Neb.	"	5,607	16,225
Central Nebraska Nat'l Bank, Broken Bow, Neb.	"	....	13,500
Florence National Bank, Florence, Ala.	"	....	12,900
First National Bank, Kansas City, Kans.	"	25,269	33,750
Rio Grande National Bank, Laredo, Tex.	"	....	22,500
First National Bank, Clearfield, Pa.	"	72,518	85,340
†Farley National Bank, Montgomery, Ala.	"	....	22,500
First National Bank, Coldwater, Kans.	"	8,482	11,200
Total	11	$142,114	$294,865
Huron National Bank, Huron, S. Dak.	1892	....	$18,000
First National Bank, Downs, Kans.	"	$8,745	10,750
*First National Bank, Muncy, Pa.	"	80,636	94,899
Bell County National Bank, Temple, Tex.	"	7,592	11,250
National Bank of Guthrie, Okla.	"	....	21,800
Cherryvale Nat'l Bank, Cherryvale, Kans.	"	....	11,250
First National Bank, Rockwall, Tex.	"	....	26,720
Total	7	$96,973	$194,669
Grand Total	53	2,095,678	3,310,529

A bank note that is liable to depend for its redemption upon the slow liquidation of a failed bank certainly lacks convertibility.

Safety fund provisions are, I think, more onerous to banks than the enforced ownership of securities. To require choice securities as a basis for circulating notes, compels the conservative investment of a bank's funds, *pro tanto*, protects the noteholders, imposes no hardship upon banks (the present hardship is not in owning the high-priced bonds, but in the high taxes imposed) and is, in my judgment, free from objection, wise, conservative, and justified by experience.

A. B. HEPBURN.

Treasury Department, Washington.

* Finally closed. † Resumed.

BANKING SYSTEM—OLD AND NEW.

I have examined the paper of the distinguished gentleman from New York (Mr. Horace White), and if he suggests anything that ought to be in a banking law, which is not in a bill I had the honor to introduce in the House of Representatives, numbered H. R. 10,094, I did not observe it; and if the bill contains anything which he suggests ought not to be in a banking law, I did not notice it. I shall, therefore, use that bill as a basis of my discussion of the subject allotted to me.

A banking system that will not run smoothly under the most adverse circumstances is a banking system not worth considering. A banking system that does not provide for specie payments in normal times and for the suspension of specie payments—a banking system that will not run smoothly under the most intense business commotion and civil strife, is not worthy of attention.

In any other government than ours, it is the minister of finance and men skilled in finance who guide the monetary affairs of the country; in our country they are guided and directed by the whole body of legislators, each one of whom, whatever may be his previous training, is very sure that he knows all there is to know on all questions of finance—and his confidence is sometimes in proportion to his ignorance. No man has a right to present a bill to Congress when he has not a fair chance of success in passing it. In presenting a bill that provides for a national banking system, as in all other legislation, he must present the best bill he can devise that has a reasonable chance of being passed. If the banking system and the banks of the country can legitimately and economically work under it and preserve the national system, we still must take it because of the good there is in the system, even if the bill is in some points objectionable.

Success is a duty in legislation for the single legislator or the legislative body, as much as it is our duty as bankers or merchants.

The Walker bill now before Congress is not such a bill as I would draw had I such authority as is conferred upon the men who manage the finances of Great Britain or France or Germany. There is not enough financial wisdom available and focused, in the every-day Congress of the United States, to devise a banking system such as this country ought to have. It is only an exceptional Congress that will give us a good banking law. We must wait for a national system till that Congress comes, and the system will come, when it comes at all, from the men in a Congress who are sufficiently adroit and conciliatory and popular to have men of both parties assist them in passing the measure. I have very strong hopes that the leading Democrats of the House in the Fifty-third Congress can be persuaded that it is for the political advantage of their party to take up the bill which I have presented and adopt it. It will not be passed purely as a matter of statesmanship, free from all party advantage and political considerations, by either the Democrats or the Republicans. Whenever we get a proper national banking system in this country, it will be through some men in the minority of sufficient skill and popularity on their own side to have it support them, and sufficient ability to draw a bill and persuasive power to convince the majority that it is for its political advantage to have it adopted.

The mechanism of banking, as an occupation, is a great deal easier to learn than keeping a grocery store or running a farm; but banking, in its administration, in the great concerns with which it has to deal, in the important function which it performs as a part of the commercial system of the country, the great courage that has often to be exercised and the great risks taken, demands the highest type of ability, of courage, and of genius.

I say this, because it might be thought that, as the scheme is simple, it is of little consequence. But the utter

folly is apparent of talking about forty-four independent systems of banking, and of each State developing and maintaining in each successive legislature enough financial wisdom to devise and maintain a sound and economical banking system. We know a bank cannot exist alone, any more than we can sever a finger and have it throb and live and perform its functions alone. Every local bank in this country is a part of "the bank" of this country, and "the bank" is the aggregate of all our banks. It is the same in every other country, and "the bank" of this country is just as truly such as though we had a central United States bank, and every other bank was a branch of this. A bank cannot exist as a unit, as a shoe factory, or a cotton factory, or a woolen factory exists, complete in itself. A bank is as much a part of the current circulation of the country as the bills it issues, as much as the blood in the body is a part of and necessary to life—an inseparable part of the commercial transactions of the country, and no one of them can be insulated. It is a physical impossibility to have State banking systems. It is also a physical impossibility for a national government to issue the paper money and maintain the specie payments of such paper money in a country. It never has been done in any country. It never has been done for a day in this country. It so appears only because the banks have stood at the elbow of the Secretary of the Treasury of the United States, and have conducted the finances of the country through him. The Secretary of the Treasury is powerless without the co-operation of the banks. The hoard of gold that now exists or has existed in the United States treasury has, from the beginning, been sheltered and protected and kept there by the banks, not by any power of the United States Government. If the banks, or any ten of the strongest banks in this country, had said: "We will have that gold, and we will break up this system of specie redemption," it would have disappeared any time in the last thirty years. It is not a system of

which the country ought to be proud. The very existence of the sub-treasury is abnormal, and a threat, as every banker knows, to the existence of every bank and of the whole banking system of the country. It must be trenched upon to wring the money out of it, and practically destroy it at every crisis. It is a struggle for existence between the sub-treasury and the business of the country. Its very existence is in violation of the specific law of the United States that forbids banks and individuals to do what the United States Government is constantly doing, locking up the money of the people, locking up the gold and locking up the currency.* We have, in many respects, the most ridiculous and extravagant financial system in the world, while in many other respects it is the best—of which I have not space to speak further.

The banking institution of a country must be an "institution," a thing whole and complete in itself, with powers of self-defence, in order to have the necessary powers of existence. Now, the banks are absolutely defenceless, and have been during the whole existence of our monetary system. Why? Because they have no means of keeping the measure of value, the gold, in their vaults, or in this country. We are absolutely helpless to keep the gold in this country. If we had a proper banking system, we could cause bonds to be shipped, or securities; as they do in England, rather than to ship gold, simply by raising the rate of discount or lowering it. This is the only conceivable defence that any country has in keeping its coin supply necessary to its banking system from being dangerously trenched upon by any nation that chooses to take it. And yet we stand absolutely helpless in this respect, because shippers of gold can and always do draw their gold not from banks that could defend it, but from the United States treasury, which is defenceless.

[* For a careful account of the results of the existing system see Mr. David Kinley's paper on "The Influence on Business of the Independent Treasury" in the ANNALS for September, 1892, also issued as No. 66 of the Publications of the American Academy of Political and Social Science.—EDITORS.]

We must have a banking system that is whole and complete in itself, absolutely dissevered from the Government—one that the Government has no control over and can put no hand upon, excepting in police supervision. We cannot get it by direct legislation. It must nestle in a bill so obscurely and so quietly, and yet so potently, that it can "grow," as Topsy did, with the approval of the people and for their benefit; and I think it is in the bill referred to.

Coin is the very life-blood of banking, and if we cannot protect our coin, our banking system is in peril every moment. The only possible way of protecting it is through the banks.

The Walker bill provides for the issue of two classes of currency notes. It provides for their certain payment in case of the failure of any bank. There is not the least difficulty in making the circulating notes of a bank secure as to their final redemption, in many ways. That is incidental to but no part of banking. The thing that makes bank bills good money is the securing and maintaining them at their nominal value in coin value by their "current redemption," their constant revivification, the constant touching of paper money with the coin dollar, so that it may ever be the equivalent of coin in the commercial transactions of the country. That is the difficulty in keeping paper money "good," and it is the only difficulty. The various schemes for issuing bank bills (currency notes), providing only for "final redemption," are mere chaff.

The Walker bill provides that the reserves of a bank shall be in coin or in the notes bought of the Government for coin, which latter bills are not to be less than half the circulating notes that the bank issues. That is to say, the bank is to have its reserve in coin, not less than half in gold coin, or gold coin certificates. The point of counting the coin certificates as coin is simply that the Government has the vaults in which to keep the coin, and can keep it cheaper than the banks can store it, the Government simply issuing coin certificates as custodian of the coin deposited.

The way we have been banking for thirty years is this: We have had notes issued to banks on bonds. The interest and premium on those bonds has, for the last fifteen years, just about equaled what the banks have lost by not being able to avail themselves of earnings on bank reserves as in Europe. Many bankers have failed to see the waste on their reserves. They have lost sight of the fact that their reserve does not earn anything, in the fact that they have had an equivalent in the interest on the bonds they have deposited with the Government to secure the bills issued to them. The Walker bill provides that banks shall have the right (the Government printing them as now) to issue as many dollars in currency as they hold dollars in reserve, and that they shall hold an additional reserve for the currency they issue.

First—This reserve operates in two ways. It is a reserve in coin, as all the banks in Europe hold their reserve in coin, and secondly, banks issue bills to the amount of this coin reserve, as European banks do. The reserve, every dollar of it, is as safe and effective as a reserve, and still is earning just as much as any part of the capital, while it is still held as a reserve. Coin is no more likely to be demanded upon the currency bills which banks issue than it is upon the check that is presented, or any other form of bank liabilities, and is just as effective as though the bills were not issued. The only point in requiring that the bills shall not exceed the reserve is to have a check upon the issue of bills, in order that they never shall exceed their proper limit.

Second—The notes which banks are, by the bill, required to buy of the Government, paying for them in lawful money, either gold or silver, or silver certificates, or in the present greenback, a sum equal to what is issued on the reserve, really costs the bank nothing. It is simply exchanging legal tender money for money that is not "legal tender," though commercially it is its equal, being just as useful to the community in doing its work effectually. The bank of England issues one-third of its currency notes or bills in the same manner. They are not issued on a coin reserve.

This bill provides that half instead of one-third shall be issued by the United States Government, and both classes of these bills shall be the same to the bank and must have the same "current redemption." But if the bank desires to go out of business, or surrender any of these bills, or fails, then the Government is to redeem these bills in coin of equal intrinsic value, of the nominal value of the money which was deposited or paid by the bank for these bills, and the bank itself is to redeem the bills that are issued by the comptroller to the bank and by the bank to the amount of its reserve, the comptroller taking possession of all the assets of the bank and either pledging them or selling them for a sufficient sum to redeem the bills issued by it that are not bought of the Government, and then turning over the balance of the funds encumbered by the loan, to the bank, for it to distribute among its creditors.

No one can tell how many dollars there ought to be per capita, either in coin or currency. We ought to have just that number of dollars per capita in paper money that the people insist upon carrying in their pockets, and that is a dead investment. It is a dead deposit. It lies there, about the same in amount, year in and year out, but there is a profit in issuing it. If I were drawing a banking scheme, with no regard to the opinion of others, I would allow the banks to issue two dollars for one, not buying one-half of the Government; but we never can get the people to adopt that. Another thing, the existing greenback is a menace to the banking system of this country just so long as it exists, and the bill I have drawn provides that, of the money paid to the Government for currency, ninety per cent shall be used to redeem, cancel and destroy the greenbacks of 1865, and that ten per cent of it shall be held as a redemption fund which the Government will hold, at its expense, and not at the expense of the bank, for the "current redemption" of all the bills of the bank. The bank first issues itself just as many paper dollars as it keeps in its reserve. Then it buys of the Government an

equal sum, and ninety per cent of what it pays to the Government is used for redeeming and canceling the old 1865 greenbacks until they are gone, and ten per cent of it is set aside by the Government for the redemption fund the banks now have to keep with the Government to redeem bills, at the expense of the bank.

A banking business is the buying, selling, borrowing and loaning of property, not paper. It is titles to property which banks actually deal in, and of course banks own the property for the time being. When banks discount notes, they hold property in exchange, and to the amount of the note discounted. In its last analysis this is not a process dealing with paper, but banks are the owners of the property in the hands of the merchants all through the country. That is the fundamental fact, and it is necessary that the people should know it. They would then give up the idea that we can make just as much good paper money as we are pleased to issue, which is wholly fallacious. This property in the hands of merchants, owned by banks, neither increases nor diminishes in value while it is owned by them. Banks do these things for a fixed compensation called interest or discount; that is to say, banks temporarily own property in the hands of merchants, but suffer no loss on it, and make no gain. Banks do it for a certain sum agreed upon, while merchants are taking all the risks of the losses and making all the gains.

Third—It is the duty of banks to be at all the expense, trouble and risk of maintaining an unvarying measure or standard of value by which all the wealth or property of the country is measured for exchange, and the United States Government ought to be immediately relieved from that great tax upon the people. That is to say, banks ought to be at the expense and trouble and risk of holding the gold or silver that is the measure of value, and not the United States Government—the people. As a compensation for that service, it ought to be earning banks an income all the time. Banks issue a form of title to the property of the bank,

entitled bank notes or "paper money" for the convenience of persons whose transactions are too small for them to use drafts or checks, but they are precisely the same as drafts or checks to those who use them. There is nothing distinguishable between a bank note and a draft or check, except that the bank note is transferred in payment without endorsement. It is a title to the property of the bank, as a check or draft is a title to what the maker has on deposit in the bank. That is all the difference there is between a bank note and a check, draft or anything else, either in custom, in law or in equity.

Fourth—The performance of these functions constitutes the bank a medium of exchange of all titles to all the property exchanged, excepting that exchanged for coin or in barter. This makes banks inter-dependent, and each a branch of the completed whole—"The bank" leaving no room for State banks.

The volume of currency or the volume of coin needed in a country can be determined only by trial. England has determined by trial that the visible coin she needs is only about $100,000,000, while we have $330,000,000 in visible gold, besides all our silver coin!

The coin we need is what the people carry in their pockets and what we need for the reserve in our banks. Now, with reference to the issue of money up to limit of the reserve, it has been repeatedly proved, as Mr. White shows, that a safety fund makes a note as safe as bonds make it, as to its sure final redemption, if the bank fails. All our business is conducted on the doctrine of chances. We run all our railroad trains on the doctrine of chances. And this bill is drawn on human lines and provides for a tax on the currency notes issued by the banks up to their reserves of one-twentieth of one per cent, to be held in the United States treasury as a guarantee fund for the redemption of the bills issued by the banks up to the limit of their reserve, provided the Comptroller should find that the property available, of any bankrupt bank, is not sufficient to redeem the bills it has outstanding. This

tax each year will make a fund four times as large as the people would have lost on the average each year on bank bills in the last thirty years, had there been no bonds held to secure them.

The present national system is necessarily doomed to disappear. Some other scheme must be devised, or we can have no national currency. The system developed in the bill H. R. 10,094 is fully a hundred per cent better than the present, because bonds have nothing to do with money. They are entirely extraneous to it, as much as the color of the hair of the president of the bank. They necessarily have nothing to do with banking, and never should have, because it confuses both bankers and the plain people, and the people have very naturally and justifiably gotten it into their heads that the banks are getting interest on their bonds and then returning the bonds to the custody of the Government, and so getting interest on the bills issued on them, the bank thus getting double interest on its bonds. Congress never will continue that system.

Coin in this country is earning nothing—absolutely nothing. It has not earned a farthing for thirty years, under the action of the United States banking law. At four per cent on $1,000,000,000 silver and gold coin, there is $40,000,000 absolute waste annually. We might continue issuing notes on United States bonds, did we have them, which might be the equivalent of earning on this coin to a certain extent; but that is not banking, much less independent, and therefore safe, banking. We have now, I believe, only $150,000,000 issued on United States bonds; of course we are losing interest on the balance of $850,000,000. Every dollar of our visible coin ought to be earning just as much as any other part of the property of banks.

Section 2 of the bill provides for the incorporation of the bank practically as now. The powers given the Comptroller in the bill are considerably increased. Had we not had the experience for thirty years of the tremendous powers that the Comptroller already has conferred upon him, I might

have hesitated. But there never has been a lisp of criticism of the Comptroller's exercising his great powers when he ought not to do so, though he has been severely criticised time and time again for not exercising them.

The first is to issue to and compel banks under certain circumstances to take notes of the Government and pay the Government for them. That is a provision that never would be resorted to except in the case of a great exigency. For instance, during the Civil War, banks in certain sections, in order to embarrass the Government, might have surrendered, or attempted to surrender, or refused to take its currency notes. The next is that the Comptroller's consent must be obtained to the banks surrendering its notes, or surrendering its charter, or lessening its capital, and all of those powers he now has. The third gives him power to close up a bank if he has reason to believe that the bank's currency notes issued up to its reserve may be defaulted.

The bill also provides for a board of experts—advisors to the Comptroller. That provision, for a board of experts as contemplated in the bill, if it did nothing else, would strongly tend to a solution of our coinage and banking difficulties even under our present system.

"That there is hereby constituted and appointed a board of advisors of experts to the comptroller of the currency upon changes desirable in and methods of executing existing law concerning banking, consisting of the comptroller of the currency, who shall be a member *ex officio* and president, and the president of the chief redemption bank in each of the five chief redemption cities in the country, or such substitute for any one of the officers named as he shall from time to time appoint, which board of advisors shall meet once a year, or oftener if the comptroller of the currency or a majority of the board so determines, at such a time and place as the comptroller shall appoint. The decision of the secretary of the treasury, from time to time, as to what person is entitled to act under this section, shall be final."

In this section is provided a board of directors of the whole national banking system, of men who, from their position, naturally should constitute that board. By their decisions, only as recommendations, it would not be ten

years before our whole banking system would have all the advantages of a great central national bank with every other bank a branch, without its disadvantages.

The bill also provides for the gradual, natural and complete separation of the banking system of the country from the Government, by a provision in the bill, giving the Secretary of the Treasury the right to carry this out, at his option. The bill provides that whenever the Secretary of the Treasury chooses to do so, he may deposit the money and devolve the duties of current redemption on a redemption bank, or on the redemption banks. If this bill becomes a law, within ten years, without the people knowing that the slightest change has been made, and to their great advantage and approval, our Government would cease to have anything to do with holding coin or redeeming currency, or have any responsibility for banks other than police supervision and as a business establishment. The Government of the United States cannot safely touch the coin or the banking in the country, except as it is itself essentially a bank, and subject to all the conditions of banking and of banks. Banking is something that either must be done altogether or let alone altogether.

The substance of the bank reserves are to be gold, silver and the government notes bought under Section 4. No less than half must be in gold, no more than half may be in silver and a tax must be paid on that part in bills issued under Section 4. If the silver or silver certificates exceed the gold or gold certificates, they are counted as government notes issued under Section 4, which are the government notes bought of the Government and for which the Government is finally responsible. If they have the reserve in the government notes issued under Section 4, they are to be taxed two per cent on that part of their reserve held in such notes while they hold them. This is so arranged that in case of the suspension of specie payments, or of a bank getting into difficulties and wanting to bridge them over, then, if it will pay two per cent, it can use this further kind of reserve; otherwise

not. This is a very conservative, and a very necessary provision.

The bill permits the bank to issue notes to the amount of the reserve "held" during any consecutive six months. The reserve "held" is now about $500,000,000, in round numbers, and the reserve required in cash, "cash reserve," is now about $300,000,000. The Comptroller of the Currency can allow a bank to issue notes to the amount that it "held" in any six months in the previous year, and he can reduce it any time he chooses to the amount "held" in any other six months of the previous year. With the board of directors, for which the bill provides, watching and recommending, it goes to the securing of the elasticity of the currency, which can be utilized to any amount, varying from $125,000,000 to $200,000,000 as the people desire to move their crops. If this bill were law, banks would run their reserves up when the people did not need so much currency, and would run their reserves down when the people most needed funds, and we should get an elasticity of $200,000,000 without the intervention of any bond securities. Mr. Windom's scheme was to have a United States two per cent bond which anybody could buy at any time, and which the Government would buy back at any time and which could be deposited with the Government at any time to again receive currency upon. That scheme could not be gotten through Congress, however good it is, and as I have said, we have no right to spend our time in attempting something that is thoroughly impracticable. The people of the country are determined not to have a public debt. They will not carry a bond for the use of banks, and Mr. Windom's plan amounted to the Government taking the surplus that the banks wanted to get rid of at any time and paying to the banks two per cent interest for it. The people never will submit to it, and ought not to do so. It would be taxing them this two per cent and giving it to the banks. However good it might make the currency system, it never will be adopted. Bonds in banking must go.

When I say that fifty per cent of the currency must be bought of the Government, it amounts to this, that the banks will make that much less money than they would if they issued these notes, and that they will have to charge that much higher interest than they would if they could issue that much more currency and the people could get the advantage of it in less interest on the money they borrowed. But we cannot make the people think so, and therefore, while it is not ideal banking, while, as a financier, I would write a different bill from this, for a bill to get through Congress and be approved of by plain people, this is the best thing I can devise.

If this bill goes into operation, we shall have, finally, $600,000,000 government notes instead of the $324,000,000, as we now have, but they will not be legal tender; they will be bank bills, so far as the banks are concerned. They will have every advantage of greenbacks, so far as the greenbacker and the people are concerned, in what they want to reach. That is to say, the Government issues them to the banks and the banks are responsible for their "current redemption." No one is responsible for the "current redemption" of the present legal tender, and for that reason the present legal tender is a menace to our whole banking system. The new government note would be a legitimate part of it and save the people interest on $600,000,000 of debt.

The bill further provides that the reserve of a bank must average what the law calls for, taking any month as a whole, but it can run just as low as the bank chooses on one day and just as high on any other day. A reserve that never can be touched is no reserve at all. It might just as well be anchored in the sea. A reserve is for use, and a bank ought to be permitted to use its reserve in certain contingencies.

There is nothing in the bill that is not as old as the Bank of England. There is no new thing in it, excepting new arrangements of proved expedients to bring it into a simple and practical working. The Bank of England's charter

has its double-headed government, but it is worked as one system and there is everything in this bank bill of of any value that there is in that.

I repeat, with reference to the two kinds of currency bills, that banks will simply lose what, in my judgment, they ought to make on what they take from the Government, and the Government will get it. I do not think that is the way it ought to be, but it is the way we will have to take it if a bill is ever enacted. If we have a banking system that is national, the people must feel that the money they carry in their pockets day by day (which is half the total volume and generally more—it generally amounts to five-eighths or three-fourths) the Governments get the profit on, and not the banks. That is the only point in that provision.

Under the proposed bill this country could protect and keep its gold and defy Europe to bring us to a "silver measure of value," by preventing its shipment when the interests of the country demanded a stay in its shipment, as England protects her store of gold. Under our present banking system, with the Government responsible for maintaining gold payments and the banks at the mercy of the Government, and the United States treasury dependent on the banks for successful administration, it is impossible for the country to have any "measure of value metal" in legitimate touch with any one of our multitudinous forms of paper money. It is a physical impossibility for the Government to "maintain specie payment" for a day without the assistance of the banks.

Furthermore, it costs the people—the Government—a vast sum of money to maintain specie payments, even with the assistance of the banks as it is now doing, and the soundness of both the United States treasury and the banks is also in daily peril.

Under the bill proposed, the maintaining of specie payments or keeping the "measure of value metal" in touch with our paper money would not cost the Government or the banks one cent, and it would put in our hands precisely the

same means of defending our gold supply from shipment that England has successfully used for eighty years without a single failure. Only by enacting this bill, or some similar bill, can the vexatious silver coinage question be settled satisfactorily to the people, and all our paper money be alike.

This bill gives, in as high a degree as is possible in any law, the four things essential in "paper money:" First, safety; second, convertibility—current redemption; third, elasticity; fourth, uniformity, as the present bank charters expire.

J. H. WALKER.

House of Representatives.

THE BASIS OF SECURITY
FOR
NATIONAL BANK NOTES.

The problem of how to provide a safe, uniform and elastic paper currency is the prominent financial question of the day. The business of banking has, in this country and under our legislation, been for so many years managed by institutions having charters from State or Federal governments, that even in the minds of thoughtful men some confusion has arisen as to the functions of a bank. The need which first created the banks, or called into existence bankers as a prominent class, was the kind of business which is now done by banks of discount and deposit.

"A banking business," says one of the thoughtful men now writing and speaking upon financial topics, "is the buying, selling and loaning of property, not paper." We have added to this the original and true function of a bank, the additional function of issuing its promissory notes which pass current from hand to hand and, while not actually money, are practically considered and treated as money, and furnish a large part of that circulating medium with which the transactions of individuals are settled. This feature of the banking business has become, not the most important, but the most widely discussed and dwelt upon, and has absorbed public attention until now, when the currency question is becoming the most prominent of our public questions, public attention is almost solely drawn to the function of a bank as one of issue, and in talking of banks and banking in our legislative halls it is the only one that attracts attention.

Before attempting at all to outline a method by which a banking currency can be established and satisfactorily maintained, a few preliminary thoughts may properly be set down as guides in determining the safety and soundness of any proposed plan for securing banking circulation.

A bank of discount and deposit attracts to itself business by the credit which it has from its paid-up capital, and from the confidence of the community in the integrity and ability of its managing officers. The individuals who deposit with such a bank do so with the understanding that the funds that they deposit will be honestly and intelligently loaned to such an extent as experience demonstrates is safe, and that a sufficient reserve of such deposits will be at all times kept, so that the easily ascertained average of the drawings of the deposits upon the bank will be immediately paid. Against losses occasioned by mismanagement or errors in judgment or possible peculation, the depositor properly relies upon the credit of the bank resulting from its paid-up capital. The depositors in a bank of this character comprehend that the aggregate of their deposits is much larger in amount than the capital stock of the bank, and is secured by the capacity and fairness of the management of the bank, and that its capital is only the guarantee fund put up by the stockholders of the bank to induce credit, and to secure against losses for which the officers of the bank may be not at all blameworthy. This class of creditors are voluntary creditors, and avail themselves of the convenience of the bank upon the contract requiring of the bank, as is well understood, not that it shall keep the particular moneys they deposit or an equivalent amount of money on hand, but only such amount as will meet the average drawings, a percentage which is readily ascertained by brief experience.

When such a bank takes upon itself the further function of a bank of issue, it assumes liabilities to another and larger class of creditors, and practically, in many instances, to an entirely involuntary class of creditors. For while there is no legal compulsion upon any man to accept a bank note in payment of what is due him, or for property with which he parts at the time of payment, still in any business community the man who declines to receive the circulating notes of a solvent bank will very soon find himself isolated

and his business opportunities limited, if not entirely destroyed. Practically it is that large class in the community who literally earn their bread in the sweat of their brow, and whose daily labor must meet their daily want, who are universally subject to such compulsion.

All civilized nations have assumed to regulate in one way or another the issuing of obligations intended to circulate as money, and have permitted such issue only upon terms and conditions intended to give security to the large class of involuntary creditors of the bank, who by their necessities and education are at once unable to refuse to receive the currency issued by the bank, and unfit to determine its value. This class of creditors practically constitute the general public, and this sort of legislation is intended for the protection of that public. Without stopping to inquire as to the natural source of authority for the enactment of such laws it is sufficient to take notice of their universality and of the fact that all bank note issues purport to be made by and under the sovereign authority of the State.

The original capital of the bank as subscribed and paid in constitutes the basis of credit with both classes of its creditors, the depositors and the noteholders, and the issue of bank notes under any system which has proven at all successful has been limited by the amount of the capital, sometimes to a greater and sometimes to a lesser percentage of it. The notes being payable on presentation and circulating freely among the people as money, and performing its function, have uniformly been recognized as a paramount obligation.

It has also been deemed essential both to the safety of the notes and to the accomplishment of the purposes for which they are issued that in some definite way the bank should secure by a deposit placed beyond its own control the payment of its notes. This result has been reached by the requirement for the deposit in the hands of the government itself, or the keeping under governmental supervision of gold or silver or securities in amounts sufficient to meet and to pay

off these obligations, irrespective of the general funds of the bank, and beyond the reach of any calamity that may destroy its general solvency.

A further safeguard has been thrown around these notes by requiring repeated investigations of the condition of the bank by disinterested public officials, and by the publication of detailed statements of its condition. None of these things are required of the mere banker doing a private business as a bank of discount and deposit, but all of them are deemed requisite in the case of bank corporations existing under governmental authority, and doing business as banks of issue. The purpose is first to render the notes secure, and second, to so completely satisfy the community with the security of those notes as to make their free circulation possible.

The difficulty in framing a law which shall secure the circulation of a bank is in so adjusting it that the notes shall be secure to the holder, and their issue profitable to the bank. If the State should seize upon fifty per cent of the capital of the bank at its start and return the same or less amount of notes to the bank for circulation it is obvious that no possible profit could arise to the bank, and that it would be taking all the risk attendant upon the issue of circulation, and all the expense of handling and renewing it without any compensation, and that it might much more profitably loan its original funds in whatever form they were. Such a result would prevent the bank from taking out circulation. It is the approximation to such result which has caused the retirement of a large portion of national bank currency by the banks within the last ten years. Upon the other hand the delivery to the bank by the State of circulating medium in excess of its capital or without security purchased from such capital, and set apart for the protection of the notes, would leave the notes themselves with no fair basis of credit. The natural result would come, as it has come many times under various forms of "wild-cat" banking, and be the entire loss to the noteholders of the property for which they took the unsecured notes. Of necessity, therefore, and not

from any desire to favor the banks, the security for bank circulation has been, under the most successful systems in this country, the use of a certain portion of the original capital of the bank for the purchase of approved securities, bearing interest, and the deposit of them with some officer of the government, the government itself assuming the attitude of trustee for the bank and for the noteholder and holding the securities as protection to the noteholder until the notes are redeemed and then restoring them to the bank. This is the theory upon which the national banking system was based, and it has afforded, as all admit, a marvelously safe and uniform currency of equal value at the bank's counter or in the remotest corner of the land.

The rapid extinguishment of the public debt of the United States, and the high market price of its bonds, has brought about a condition where the taking of circulation by the national banks in many cases has ceased to be profitable, and in all cases affords but slight profit.

While we have not reached we have so nearly approached to the condition of things where the government simply takes from the bank a portion of its capital and returns to it a smaller amount of circulating notes that the extension of the system has been impeded, and were it not for other great advantages would have ceased. The approaching maturity of all the bonds of the United States, and the settled purpose of the people that this debt shall be paid, has caused the agitation for several years past of the question—*What shall be done to perpetuate a system of banks of circulation?* The financial condition of the country resulting from the agitation concerning the coinage of silver, and more recently from the preposterous plan of purchasing of silver bullion by the United States, and the outcry from the more remote sections of the country that they are suffering from loss of circulation resulting from the retirement of national bank notes, forces urgently upon our attention the question, what system of bank note circulation adequate to the needs of the country can be devised?

Two methods of providing the currency demanded have come prominently to the front; first, the return to the system of the issue of circulating notes by State banks; second, the perpetuation of the national banks, and the substitution of some other form of security for that at present used.

The definition of the requirements of a perfect form of paper currency, made by the late John Jay Knox, has always seemed to me entirely adequate. It was, "that the attributes of a perfect system of paper currency in this or any other country are: (1), safety; (2), elasticity; (3), convertibility; (4), uniformity."

The two essential attributes of any such currency are: first, safety, and second, uniformity. The safety of any such currency must not only exist, but must be known to all men to exist. The citizens of California may be entirely certain of the safety of notes issued by banks under the laws of that State, but the citizen of Maine would assuredly be uninformed upon that subject. The safety of a bank note currency, known only to the skillful or the residents of the State in which the bank was located, would avail nothing in making such circulation answer the purposes of business to the unskilled inhabitants of other States. As the majority of the citizens of our country are, and are likely to remain, both unskillful and uninformed as to the laws of communities other than that in which they live, we should not, under a system of State banks, have that widely recognized safety in a bank note issued under State law, which is the primary and essential attribute of a sound paper currency did we depend upon the notes issued by banks regulated only by the law of the State in which they were located. Equally sure is it that we should have no uniformity in the safeguards thrown around such notes. The belief that such uniformity could be created by the legislation of forty-four independent States has been correctly designated as "utter folly." In the experience which I have had in examining the various systems of banking, proposed by members of the present House of Representatives, I find the irrefutable evidence of the widely

divergent ideas of different sections of the country upon this question of the proper method of issuing and securing paper money. In my judgment, the attempt to solve the problem of furnishing safe and uniform currency under the authority of forty-four different sovereignties might as well be abandoned at once. It failed before the war, and that failure was the result of the inevitable divergence of views upon this question between the different sections of the country. A system regulated by the national government is the only one which can be relied upon to furnish a currency known by everybody to be safe and of uniform value throughout the length and breadth of the land.

Second. The suggestions with regard to the substitution of some other form of security for that at present used has divided itself broadly into two classes, (*a*) the creation of a safety fund, and (*b*) the substitution of other kinds of bonds for those of the Federal Government.

Those who advocate the securing of national bank circulation for the future by a safety fund, urge it upon the attention of the country as being the more scientific method. Practically they make the circulating notes a first lien upon all the assets of the bank, and go to the safety fund only to make up the deficiency. There seem to me to be two objections to this method of securing the circulation. It deprives the banks of the fund which is the basis of its credit in asking for deposits. Without the deposit the banks cannot do a profitable business. It is difficult to believe that, the capital being subjected to a first lien for the amount of the notes, and there being always the possibility of an over-issue of such notes, the credit of the bank in its discount and deposit business would not be impaired. It is calling upon the capital to do a double work when it is already loaded with the single task of inspiring confidence in the people who have to make deposits.

Then, too, it imposes upon solvent and well-managed banks burdens from which they reap no direct benefit and pays a premium upon bad management. A bank which is well

managed and is making money as a bank of discount and deposit will have but slight, if any, inducement to go into a system which enables it to issue circulation, for which it has but little need if, by so doing, it is compelled to pay out of its earnings and profits for the losses occasioned by the bad management or conduct of the officials of some other institution over which it has no control. The result, it seems to me, would probably be that the banks which are best managed and strongest, and whose presence in any system is most desirable, would have the least temptation to go into it. The safety fund itself, on any system which has come under my notice, will have to be created after the notes are issued, and the notes may get into circulation and use before the security for their payment is called into being. The method may be as scientific as its advocates claim, but it does not seem to me to be practical.

The commonest form of objection to the substitution for national bonds of other securities as a basis of the issuing of bank note circulation, is that the Government of the United States ought not to guarantee the payment of notes based upon securities not its own. This objection is founded upon a mistake. The contract of guarantee is well understood to be a promise upon the part of some one other than the principal debtor to perform his obligation. The Government of the United States has never made any such promise, and never ought to make it. Its relation to the holders of national bank notes is purely that of trustee, and as such it should remain. Whatever the form of security used might be, the Government or its officers should hold those securities only to perform the promise of the Government to sell them and apply the proceeds as far as they go to the payment of the notes. That is all it now promises. That is as much as either the reason or the necessity of the case requires. The Government may as well hold other securities than its own as to hold the present class of securities for the purpose of performing that promise.

Another objection to the substitution of any other class of securities is that their value is less certain. That objection is a valid one, as it seems to me, to the use of any promises to pay which are not enforceable by the exercise of the taxing power, and also of the securities issued by any community which has heretofore failed to perform, according to the letter, its contracts. State, county and municipal bonds of communities, which have not in recent years defaulted, are available, for this purpose. One advantage of their use, and particularly the use of the latter classes is that it makes available for banking purposes the credit of the very communities which need the circulation. With the increase of intelligence and wealth in all communities within our borders, with the more rapid and constant intercommunication between the different parts of the country the chances of any repudiation of obligations by State or smaller subdivisions of the country are very much lessened. The use of such securities as a basis of banking in the community issuing them would render practically impossible any repudiation. It is a comparatively easy matter to refuse to pay debts due to persons not living within the same community as the debtor, but the financial, social and political influence clustered about a bank renders practically impossible the repudiation by the community in which the bank exists of the obligations upon which the bank itself rests as the basis of its credit. It is true that these local securities, while equally valuable, might not be as readily convertible as federal bonds, and it is not improper that if they are to be used some method should be devised to furnish the means for the immediate redemption of the notes of every failed bank without using undue haste in realizing upon such forms of security.

I believe, therefore, that it is entirely safe to base an issue of bank circulation upon the security which would be offered, first, by the deposit in lieu of national bonds of State, county or municipal bonds; second, by making the bank note issue a first lien upon the assets of the

bank including the personal liability of the stockholder; and third, by creating a moderate sinking fund from which the notes could be redeemed at once upon the failure of the bank, provided that out of the other two classes of security the amount taken from the safety fund should be made good, less the amount contributed to it by the failed bank. Such a system would put the Government in funds to immediately redeem the notes; would afford the opportunity of holding the local securities until they could be safely and properly disposed of at fair price, and would render the notes themselves equally as good as those at present issued. It is not open to the objection that the banks would be deprived of a portion of their capital without receiving any return therefor, because the bonds would bear interest. It would not seriously affect the credit of the bank with its depositors, because under proper regulation the securities deposited would certainly pay the notes, and hence no recourse to the general assets of the bank would ever become necessary. Nor would the better banks have the same ground for objection to a safety fund to be thus used, as to a general safety fund, because their proportion of it would never be used, except temporarily, to redeem the notes of any bank except their own. The advantages to them of a system, uniform all over the country, would be sufficient to compensate them for the loss of interest upon the money constituting their contribution to the safety fund. Whatever they did contribute would perpetually remain theirs, for the liquidation of their own obligations under any and all circumstances. Of course, details of the system, providing for entire publicity, thorough examination, for taxation and inexpensive redemption need to be added to the general features of this plan.

It should also be noted that there are yet fourteen years before the federal bonds can be paid off; that they may be as others have been, extended; and that the issue of other bonds by the federal government is a possibility unfortunately not remote nor improbable.

HENRY BACON.

House of Representatives, Washington, D. C.

THE SURPLUS GAINS OF LABOR.

In a recent number of the ANNALS I expressed my appreciation of the recent and valuable monograph of Professor Patten entitled *The Theory of Dynamic Economics*. Predicting that this work, when completed, will be an epoch-making one, I dissented from one of its statements, which asserts that a laborer realizes a surplus gain from the last labor performed in a natural working day. A true surplus seems to me to be a net accession of well-being in consequence of all the effects of this final labor. The work of the last quarter of an hour benefits the man through the things that he can buy with the wages then earned. It injures him, first, by the weariness that it entails, and secondly, by the confinement that it involves. It deprives the man, first, of so much nervous and muscular tissue, which is a physical loss, and, secondly, of so much pleasure that he might otherwise have had from walking, conversing with friends, playing games, fishing, gardening, reading, etc. It trenches on enjoyments that cost nothing and require only time.

In considering whether there is a surplus of benefit realized from working through the last fifteen-minute period of the day, one must take account of one plus quantity and of two minus quantities. The whole benefit comes from the articles bought with the wages of the final period; while the injury is the sum of two sacrifices, of which one is caused by weariness and the other by confinement. If the plus quantity exceeds the sum of the two minus quantities there is a surplus gain realized; if it falls short of equaling this sum, there is a loss, and if it just equals it, there is neither a gain nor a loss from the work of the terminal period.

In making the computation in an arithmetical way it is possible to add the two negative quantities together as a subtrahend, and deduct them from the positive figure that

represents gain; or we can subtract from the figure representing gain, first, the quantity representing sacrifice entailed by confinement, and compare the remainder so secured with the figure representing the sacrifice entailed by weariness. Confinement means a loss of free utilities. Estimate this loss numerically, and deduct it from the figure representing the utility of the earnings of the final period, and you have the net gain of the final labor. Subtract from this the amount representing the direct disutility of labor, and the remainder, if there is one, is a surplus.

This amounts to saying that the figures representing deductions from well-being may be added, and the sum may be subtracted from the amount representing the gross increase of well-being, or the two deductions may be made successively. If the object be simply to test the existence of a surplus at the terminal point of labor, it makes no difference which process we adopt.

If there are incidental objects to be secured, one method or the other may have a preference. If we wish to get all the utilities, free or otherwise, realized in an entire day into one sum and compare this with the positive pain inflicted by the entire labor of the day, the second of the two processes would be the one to adopt. If we wish to make the simplest possible test of the net effects of the terminal labor, the first method would be the one to take. Gain is so much; losses by confinement and by pain from work amount to so much; which sum is the greater?

It has seemed to me that the term *cost* is well adapted to express all deductions from well-being entailed by getting a useful thing. In popular speech, we defray the cost of buying a thing when we take money from our pockets; and the money stands for utilities. We pass potential enjoyments over the counter and get a particular enjoyment by the means. We do not inflict on ourselves a positive pain. The loss of free utilities entailed by confinement, and by the pain inflicted by labor, seem both to be deductions from well-being; but the former of the two seems to me to be more

nearly of the kind usually indicated by the word cost. It is not, however, this point in terminology, discussed by Professor Patten in his recent reply to my criticism,* that I wish most to have decided, but a point of fact. Is there a surplus of gain realized from terminal labor? I cannot see that there is. A man does not voluntarily stop working when he can gain more than he loses by going on.

In the monograph referred to, I understood Professor Patten as meaning that there is a surplus of gain from final labor above the cost represented by the labor itself, and that this surplus is equal to the gratifications lost by confinement; so that, if this loss be first deducted from the direct gains secured by terminal labor, these will be reduced to a point at which they will constitute a bare offset for that labor. The net surplus will vanish. "There is for the efficient workmen," says Professor Patten, "a surplus at the margin of production equal to the pleasure that could be obtained in using their time in unproductive consumption."† This looks as if they could have had as much pleasure as their surplus gain amounts to without working at all. The loss of the free gratifications offsets those that are secured by work and are not neutralized by the fatigue of the work.

From his paper in the ANNALS for January, 1893, I now understand that Professor Patten takes due account of the loss of free pleasures entailed by confinement, and finds that, in spite of it, there is a true surplus gain realized at the margin of production. The former of the two arithmetical modes of testing the existence of the surplus should not, as he thinks, be adopted. The free pleasures that are lost by confinement should first be estimated and deducted from the sum representing the pleasure derived from articles procured by the terminal labor of the day. The remainder will still yield an excess of gain over the sacrifice directly involved by the fatigue of labor. I quote from this paper:

* See the paper on "Cost and Utility," in the ANNALS for January, 1893.
† Theory of Dynamic Economics, p. 71.

"To make the problem definite, I shall use some tables representing the utility and the cost of the various articles:

	I.		II.		III.	
	Utility.	Cost.	Utility.	Cost.	Utility.	Cost.
A, . .	8	1	8	1	8	1
B, . .	7	2	7	2	7	2
C, . .	6	3	6	3	6	3
D, . .	5	4	5	7	2	4

"In the first table, let the utility and cost be represented as they would be if there were no loss in consumption resulting from the extra hour's work. We will suppose that the utility derived from the consumption of the first three articles will be reduced three units if the work is extended through the tenth hour. Then, if I understand Professor Clark correctly, he would estimate the utility and the cost of the articles as in the second table. The diminution of the utility of the first three articles is a cost, he says, and this cost added to the pain of producing D would make its total cost seven units, thus preventing its production. I would, however, estimate the utility and the cost according to the third table. Under the conditions assumed, the joint utility of A, B and C, if D is not produced, is twenty-one units. If D is produced, the joint utility of the four articles is twenty-three units. The utility of D under these conditions is therefore but two units. If the workman works ten hours, the tenth hour adds two units to his stock of utilities and his cost is four units; *therefore he will not work the extra hour.*" The italics are mine.

I accept the arithmetic as sound and agree with the conclusion that the loss of free pleasures, taken in connection with the pain inflicted by labor itself, has the power to bring work to a stop. In my view it will do this under normal conditions, not at the end of the ninth hour, but at the later point, where the pain directly inflicted by labor just offsets the net gain in utility secured by that labor. In locating the point in this way we use a notation of the kind indicated in

Table No. 3. Again, the stopping point will be reached when the total deduction from well-being entailed by final labor equals the gross gain secured by that labor. In locating the point by this method we proceed according to the mode of calculation shown in Table No. 2. By either test there will be, as I continue to think, a point of equilibrium; and in the case described it could be located somewhere between the end of the ninth hour and the end of the tenth. Through the earlier part of the tenth hour the man is realizing a true surplus; if he works through the latter part, he experiences a loss. A point exists where there is neither surplus nor loss, and this fact may, as it seems to me, be revealed as well by the one notation as the other.

Let us put ourselves in the worker's place. It is now five o'clock in the afternoon and, according to the conditions assumed in Professor Patten's table, the sacrifice entailed by confinement has not yet made itself felt. By six o'clock confinement will have cost the man three units of free pleasure, and the labor itself will have inflicted four units of pain. The subjective value of the article procured by working till six o'clock is five units, thus affording an excess of only two units of net gain; and as the direct pain of working has a negative value of five units, the man does not do the entire hour's work.

Will he do a part of it? The loss entailed by confinement cannot come upon him all at once, as he enters on the tenth hour spent in the shop. According to the principles on which the entire theory is based the gain that can be made by working through a third of the tenth hour is slightly more than a third of the five units of the table. The articles procured by the earnings of successive periods of equal length are of continually diminishing utility. We will say that the man can, in one-third of an hour, earn something worth one and five-sixths units. The loss of pleasure through confinement during this fractional hour is far less than a third of the three units. Confinement in-

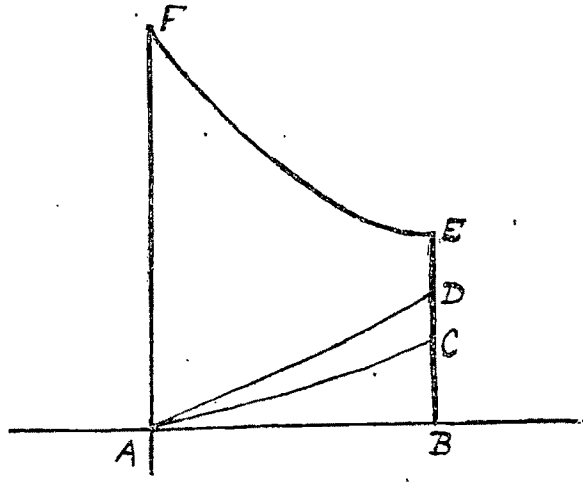
creases in burdensomeness as time advances, and costs very little when it first makes itself felt. We will call the loss from this source two-thirds of a unit. The pain of the labor of this third of an hour is less than a third of the four units of the table. We will estimate it at one and a sixth.

Utility of article procured, ...	$1\frac{5}{6}$
Utilities lost by confinement, ...	$\frac{2}{3}$
Net utility gained by this labor, . . .	$1\frac{1}{6}$
Direct disutility of labor, ...	$1\frac{1}{6}$
Surplus of gain, ...	0

That the surplus vanishes at twenty minutes past five o'clock in the afternoon, and that the man naturally stops work at that point, may be shown by either of the two arithmetical processes suggested. We may add two-thirds to one and a sixth and subtract the sum from one and five-sixths. This is taking both varieties of what I have termed costs from the gross gain of the final period. It leaves no remainder. Again, we can deduct two-thirds from one and five-sixths, and from the remainder take one and one-sixth. This is first deducting from the gross gain the loss entailed by confinement, thus determining the net gain, and from this again deducting the amount representing the direct disutility of labor. This process also leaves no remainder. At twenty minutes past five o'clock the net benefit that the man gets from the labor then in process becomes *nil.*

This tabular statement can be varied in a way that will express my view without raising points with which Professor Patten will disagree. The loss by confinement comes mainly in the lessened enjoyment of perfectly free utilities. The man cannot walk, talk, gaze at scenery, meditate, etc., as much as he would like to do. It is not, therefore, an imperfect consumption of the fruits of labor that is the largest item to be considered. Figures can be added expressing the measure of the free utilities, and the loss by confinement can be expressed mainly by reducing them.

The point at which the sacrifice from confinement begins to make itself felt appears to me to be earlier than the end of the ninth hour. It varies with the nature of the work and with that of the worker. Labor calling for severe muscular or nervous strain may exhaust the man's energy early and release him from the shop at a point at which he has not severely felt the sacrifice from confinement. This, however, is the opposite of a typical case. Monotony, rather than strain, characterizes many kinds of work, and here confinement tells on the man, perhaps, as early as fatigue itself.



A full tabular representation of the facts would recognize the positive pleasure that sometimes comes from the earliest period of work. Sacrifice from exercise and from confinement is often a negative quantity for an hour or two. This fact, of course, has no bearing on the result of the final or marginal period; and it is that that we are studying.

A graphic representation may be made to express what seem to me the essential facts bearing on the present question.

Let measurement on the line A B represent time, and let vertical distance from that line to the descending curve, F E,

represent the utility of things procured in successive hours of work. Let vertical distance from the same base line to the ascending curve, A D, represent the sacrifice from fatigue, and let that from the base line to A C represent the sacrifice from confinement. The man will stop when the two sacrifices added together equal the gain secured. The terminal point of labor is where B C + B D = B E. This follows the method of calculation indicated in the second table of Professor Patten's article. Again, the man will stop when B E, the gross utility of the last thing bought, less B C, the sacrifice from confinement, equals B D, the sacrifice from fatigue. This statement follows the method used in Professor Patten's third table, and shows that the utility of the article last purchased is neutralized by the two sacrifices, as before. From my point of view, both methods are correct as means of testing the single question whether a surplus of gain is realized from the labor of the terminal period of the day. Both seem to answer this question in the negative.

Thanks are due to Professor Patten for helping to establish the true relation between land and other capital goods.* If interest represents a cost, rent does so; for saving money with which to buy land entails abstinence on the individual who does it, as truly as does any other saving. In connection with this point an important truth can, as it seems, be expressed by changing in another particular the table above referred to. Professor Patten supposes that the worker actually makes, in the successive periods of labor, the things that he himself consumes. He would have to make them by the aid of land and other capital, and a question would arise as to how, in the table, rent and other interest are provided for.

In the graphic representation above given it is assumed that the man is earning these things, but is not literally making them. He is earning money and buying what he will. In this way the smallest addition to his income can be

* Theory of Dynamic Economics, p. 55.

gauged in importance. An extra penny a day becomes an appreciable quantity after a week or two, and may be spent on something that will give an assignable degree of pleasure. The adjustment of gains to sacrifices can in this way be made more accurate than would be possible if it were necessary to use the supposed tenth hour for making some particular article that the man can in that period select and carry to completion.

This, however, is not the important consideration in the case. The whole relation of the two productive agents, namely, capital goods, including land, on the one hand, and labor, on the other, is involved in the notation selected. In our graphic representation nothing is said about rent and interest. This is because they constitute a part of the industrial product that does not need to come into view. The diagram above used recognizes only the earnings of labor itself, as the gain in the case, and not the whole output of the shop in which the labor is employed. If the work done is shoemaking, every shoe is the joint product of instruments, including land, on the one hand, and labor, on the other. A thesis that can be proved—though not in this article—is that wages are true earnings, under natural conditions. The normal wage of labor is the product specifically attributable to labor.

This involves a separating of a product created by men and instruments into two fractional parts, of which one is, in reality, produced by men alone, and the other by instruments. It involves, in short, a solution of the problem of *imputing productivity* to two unlike agents that co-operate in making the same thing. It is determining what fractional part of a shoe is due to land, building, engine, machines, raw material, etc., and what other fractional part is due to the activities of the men who use these instruments.

A stone is raised by a hand on a crow-bar; how much of the product is due to the hand and how much to the bar? A load of fish is secured by two men and a sail boat; how many of the fish are specifically attributable to the men and

how many to the boat? We cannot here say. Without an extended analysis we certainly cannot impute to labor and to capital the shares of the output of an industry that are severally due to them. If we could do this, and if we could further prove that the tendency of natural law is to give to each contributing agent the part that is due to its action, we could substitute in the diagram used product of labor for wages of labor. What a man gets as pay for the tenth working hour of the day is what he himself separately creates. In the entire diagram there is no need of any area representing rent or other interest. Labor creates the product there represented and gets it.

In this view it is easy to see whether rent and other items of interest are elements of cost or of surplus gain. Let us in imagination perform the operation of imputing utility to labor and to capital in the shoe factory. We will lay out the shoes in two heaps, of which the men are the virtual creators of the one, and the appliances used are the virtual creators of the other. To the men we will give the one heap as wages, and to the capitalists, including landlords, we will give the other as interest. Is either pile a surplus? One is the offset for one cost, and the other is an offset for another. There is a distinct sacrifice back of each gain in the case.

Is the pile that represents interest, including rent, a surplus from the worker's point of view? In the sense of being an excess, in the gross output of the mill, above the part that the man has contributed, it is so; but it is an excess that is brought into existence by the productive sacrifices of others. In like manner the wage earners' pile, from the point of view of the capitalist, is an excess in the gross output of the mill above the part that he has contributed; but it is an excess that is called into existence by the sacrifices of the laborer. If the whole output is created by these two classes of contributors, and is received by them as income, there is no objective surplus in the case.

The surpluses received by these producing agents appear to me to be subjective. In the case of the worker they seem

to be the personal gains from work during the earlier periods of the day. This may be termed *intra-marginal* labor, or labor performed before the equilibrium of gain and sacrifice is reached. In the case of the capitalist they are the gains from *intra-marginal* abstinence, or from that saving that takes place before the self-denial involved equals the gain that is thereby secured. I believe that every one of the valuable conclusions attained by Professor Patten in his recent work is consistent with this view.

J. B. CLARK.

Amherst College, Mass.

BRIEFER COMMUNICATIONS.

CONSUMER'S SURPLUS.

Without entering into controversy, I would like to say briefly that Professor Patten, in his able paper in the last number of the ANNALS on "Cost and Utility," has misconceived what I mean by the term "Consumer's Surplus." He says (p. 30):

"The two methods of measuring utility can be illustrated by comparing Professor Marshall's view of consumer's surplus with mine. He takes as the utility of the first increment of a good what a consumer would give if he possessed only one increment; the utility of the second increment is what the consumer would give for it if he had but two increments, and so on. In this way he gets the consumer's surplus of each article. . . . . .

"Suppose I am in a desert with three loaves of bread. To the first I might attribute 200 units of pleasure, as it would keep me alive; to the second say 50 units, as it would make me comfortable; to the third, say 5 units. If instead of bread I had three pounds of meat, I might attribute to the first pound 300 units of pleasure; to the second 75 units; and to the third, say 10 units. If, as a third hypothesis, I had both articles to the amount named, could I add the two surpluses (255–385) and say I had 640 units of pleasure? Certainly not."

This is not perfectly explicit; but I can understand it only as meaning that he would expect me to add them together in such a case. And indeed he continues a little later on:

"Professor Marshall's consumer's surplus would be much larger than mine, because he estimates the surplus not from a given situation of the consumer, but from a series of situations representing different stages of supply. It seems to

me misleading to add together the surplus under a variety of abnormal situations and call the sum the consumer's surplus, because it implies that the given surplus is really obtained by the consumer. This is not true, as no consumer can be in all these situations at the same time, nor do any number of consumers find themselves in the variety of situations which would make the consumer's surplus from the whole commodity correspond to the supposition which Professor Marshall makes."

If I have interpreted him rightly, he has interpreted me wrongly. For my demand schedule—from which my consumers' rent or surplus is derived—represents the prices at which various quantities of a commodity (say bread) can find a market. In the case of any individual purchaser these prices represent marginal utilities of successive elements. But in every case, all other things are supposed to remain unchanged; and particular stress is laid on the fact that there is no change in the conditions of supply of any other commodity (say meat), which is a "rival" to it (the bread), and can partially satisfy the same needs.

For instance, on p. 157,* immediately after formulating the "Law of Demand," I write:

"It must be remembered that the demand schedule gives the prices at which various quantities of a thing can be sold in a market during a given time and under given conditions. If the conditions vary in any respect, the figures of the schedule will probably require to be changed; and this has constantly to be done when the desire for anything is materially altered by a variation of custom, or by a cheapening of the supply of a rival commodity, or by the invention of a new one. For instance, the demand schedule for tea is drawn out on the assumption that the price of coffee is known; but a failure of the coffee harvest would raise the prices throughout the demand schedule for tea; and again, the demand for gas is liable to be reduced by an improvement in electric lighting. . . . The question where the lines of division

* Second edition. Nearly the same words occur on p. 160 of the first edition.

between different commodities should be drawn must be settled by the convenience of the particular question under discussion. For some purposes it may be best to regard Chinese and Indian teas, or even Souchong and Pekoe teas, as different commodities, and to have a separate demand schedule for each of them. While for other purposes it may be best to group together commodities as distinct as beef and mutton, or even as tea and coffee, and to have a single schedule to represent the demand for the two combined; but in such a case, of course, some convention must be made as to the number of ounces of tea which are taken as equivalent to a pound of coffee." See also pp. 438–9 (in both editions). But the passage which most closely follows the lines of Professor Patten's remarks is in a note in the Appendix, p. 753,* referring to the passage in the text which contains my definition of consumer's surplus, it runs:

"If, however, an amount b of the commodity is necessary for existence [the utility of the first element] a will be infinite, or at least indefinitely great, for values of x less than b. We must therefore take life for granted, and estimate separately the total utility of that part of the supply of the commodity which is in excess of absolute necessaries. . . . If there are several commodities which will satisfy the same imperative want, as *e. g.* water and milk, either of which will quench thirst, we shall find that, under the ordinary conditions of life, no great error is introduced by adopting the simple plan of assuming that the necessary supply comes exclusively from that one which is cheapest."

This last passage seems almost to anticipate Professor Patten's problem about bread and meat, and to state clearly how I would treat it. I will, however, confess that my account of consumer's surplus would be improved by fuller explanation, even at the expense of some repetition. As it stands, it has misled other people besides Professor Patten, though not, so far as I know, exactly in the same way.

* P. 740 of the first edition.

Perhaps I may be allowed to end with an Englishman's expression of admiration, tinged perhaps a little with envy, at the generous opportunities which the rapidly growing number of American universities is offering for advanced economic study, and at the zeal and ability with which these opportunities are being turned to account.

ALFRED MARSHALL.

Cambridge, England.

COMPULSORY VOTING.

A paper on this subject appears in the fourth number of the first volume of the ANNALS over the signature of F. W. Holls, calling attention, in an interesting and forcible manner, to a defect in our political system which may in time, if not remedied, prove destructive of our scheme of government. That defect consists in the lack of interest felt by a large and increasing proportion of our best citizens in the selection of our rulers.

It is not to be denied that very many of those best qualified to judge of the fitness of a candidate for the office for which he is proposed utterly neglect to take part in the nominations and elections, leaving those important and sacred duties to the leaders of political parties and their tools, men whom they can cajole or bribe to do their bidding. The business of governing thus falls into the hands of corrupt leaders and ignorant followers. It is not giving our form of government a fair trial when the most competent of our citizens neglect or refuse to do their part in providing for the public welfare.

The evil is quite obvious, as well as its disastrous consequences unless averted. But it is not easy to find a competent remedy. Mr. Holls and others whom he quotes propose to make the neglect of voting a misdemeanor punishable by fine and, possibly, imprisonment. This is of very doubtful expediency. Criminal laws have never shown themselves to be very efficacious in procuring the performance of moral and

social duties, and there is no reason to suppose they would be more potent in enforcing political ones.

The law against public drunkenness is almost a dead letter. The same may be said of the laws against profane swearing and Sabbath-breaking. In fact criminal laws are only intended to whip in the one per cent., or less, of the community who are not amenable to the higher court of public opinion and the still higher court of conscience. The function of criminal law is to punish glaring improprieties of conduct, such as the almost universal common sense of the community will not only condemn but desire to punish.

If a fourth of our citizens were thieves there could be no preventing larceny by means of criminal law. The reason is obvious. The laws depend for their enforcement on courts and juries. No man can be convicted except by the judgment of his peers, that is to say, by the verdict of a jury of the county where the offence was committed, and the finding of the jury must be unanimous. Juries are composed of the average adult male citizens, unless they are made worse than the average by corrupt means. If one-fourth of the citizens are opposed to punishing the crime, as they would be if addicted to it themselves, then the chance of getting a jury of twelve men in any particular case unanimous in favor of punishing the offence, by selecting indiscriminately out of such average citizens, would be very small indeed.

Take the case in question, the enforcement of political duties by criminal laws. More than one-fourth of our adult male citizens habitually neglect both the primaries and the elections. By the doctrine of chances there would be, therefore, more than three men on every jury called, who would be opposed to the enforcement of the law, and as one in twelve is sufficient to prevent the finding of a verdict of guilty, it is plain that convictions would be very rare indeed.

There is, however, a mode by which, it is submitted, most of our delinquent citizens could be induced to perform their political duties. That mode is to abate the taxes by, say, five or ten per cent., of every man who could show that he

had attended the primary meetings of his political party and the elections, for the current year, and voted for some candidate or set of candidates. This would be an indirect punishment of those who did not so qualify themselves for the abatement, and it would not require the intervention of a jury to inflict it.

As a punishment it would bear heaviest on the wealthy, and that in proportion to their wealth. This would be right, because it will be found to be the wealthy who habitually neglect their political duties: some from a dislike to mingle with their humbler fellow-citizens, others because they are engrossed in their schemes for amassing wealth and have no time for the performance of the mere vulgar duty of "running" the government.

It should be made the duty of the officers of the primaries and of the elections to give to every man who asks it, at the time of voting, a certificate that he did attend and did vote; and this certificate should be made the only and the sufficient evidence for the collector of taxes to act upon in abating the tax. The collector should receive the certificate as that much tax and should return it to the officer to whom he accounts, marked with the amount of tax it represents, and it should be preserved for future reference.

This would be rather in the nature of payment for the performance of the duty than as punishment for neglecting it, just as we pay jurors for the performance of their public duties, and as such it is obvious that no excuse should be received for the non-performance. It may be urged that this would be hard upon those who are prevented by absence or sickness from attending the primaries and elections; but it is no more hard than it is on the juror to deny him his pay when prevented from attending court by similar reasons. Considered simply as a payment for the performance of duty it is the citizen's misfortune if he is prevented by unavoidable cause from doing the work. To accept an excuse for not acting would open the door to innumerable frauds and would impose much labor and risk of mistake on the tax

collector. The question for the collector should be simply, Did the citizen do the work? and this would be settled by the certificate.

It may be objected that women, minors, non-residents and corporations would be unfairly affected by such a measure, and this is a serious consideration. But in all these cases the services are simply not performed and therefore should not be paid for. Let us consider each of these cases in order. The tendency of the age is rapidly remedying the case of women. Before very long all who are bound by the laws will have an equal voice in making them, without regard to sex. Until that time comes it is surely no greater hardship upon a woman to deny her payment for services which we will not let her perform than it is to submit her to the operation of laws she has no voice in making. And the State that governs her without her consent may well refuse to pay her for services she does not perform.

The same argument will apply to minors, with this difference in their favor, that a few years in each case will remedy the difficulty. As to non-residents, we must remember that it is only the land of these that is taxed and, taking into consideration the evils of "absenteeism," the State may well be allowed to discriminate somewhat against absent land-owners. Beside this, they do not perform the services and therefore should not receive the pay. This latter argument applies with full force to corporations. In addition to this it may be said that the taxation of corporations is done by the State by peculiar laws not adapted to the citizen.

The plan proposed, having some features of compulsion, may, at first, secure the performance of the duties in a careless, perfunctory manner, and therefore may at first have little good effect. But in time the voter who begins by voting merely to save his money will soon find himself acquiring an interest in the business apart from that feature of it, and will gradually come to act from the higher motive of serving his country.

To conclude, a very little reflection will show us that some means must be resorted to to compel or induce our most competent citizens to perform their political duties. A very little knowledge of the operation of criminal law will satisfy us that that is not the adequate means. We must abandon the idea of punishing where the cause of complaint is against so large a portion of the community. The mode proposed in this article may not be the best one, but at least it is capable of being carried out, while criminal law in this respect would not be.

JOHN M. BROOMALL.

Media, Pa.

MINUTES OF THE PROCEEDINGS.

SIXTEENTH SESSION.

The Sixteenth Scientific Session of the Academy was held in Philadelphia, on Wednesday, November 30, 1892, at the New Century Club, at 8 p. m.

The secretary announced that the following papers had been submitted to the Academy:

111. By Leo S. Rowe, Berlin: Conference of the Central Bureau for the Promotion of the Welfare of the Laboring Classes. Printed in the ANNALS, July 1892.

112. By Van Buren Denslow, New York City: Böhm-Bawerk's Theory of Interest.

113. By James P. Munroe, Boston: The Free High School—an Economic Fallacy.

114. By Professor Francis N. Thorpe, of the University of Pennsylvania: American History and Institutions in American Education.

115. By S. M. Lindsay, Berlin: Social Work at the Krupp Foundries. Printed in the ANNALS, November, 1892.

116. By Professor A. B. Woodford, of the College of Social Economics: On the use of Silver as Money in the United States.

117. By Casper T. Hopkins, Pasadena, Cal.: Education of Politicians.

118. By William Howe Tolman, Pawtucket, R. I.: The Kyrle Society.

119. By Professor William Smart, of Queen Margaret's College, Glasgow: The Effects of Consumption of Wealth on Distribution. Printed in the ANNALS, November, 1892.

120. By Professor F. C. Hicks, of the University of Missouri: The Agricultural Problem.

121. By Professor E. A. Ross, of Cornell University: The Standard of Deferred Payments. Printed in the ANNALS, November, 1892.

122. By Stoughton Cooley, Chicago: The Ethics of Taxation.

123. By Rev. J. P. Whitehead, Franklin, Ky.: The Indian Question.

124. By Professor Jesse Macy, of Iowa College: Parliamentary Procedure. Printed in the ANNALS, November, 1892.

125. By Professor C. S. Walker, of Massachusetts Agricultural College: The Farmers' Movement in the Northern States.

126. By C. W. Macfarlane, Freiburg: Robertson's "Fallacy of Saving."

127. By Professor Conrad Bornhak, of the University of Berlin: Local Government of Country Communities in Prussia. Printed in the ANNALS, January, 1893.

128. By Mrs. Florence G. Buckstaff, Columbus, Wis.: Married Women's Property Rights in Anglo-Saxon and Anglo-Norman Law.

129. By Professor S. N. Patten, of the University of Pennsylvania: Cost and Utility. Printed in the ANNALS, January, 1893.

130. By Lester F. Ward, Washington: The Psychologic Basis of Social Economics. Printed in the ANNALS, January, 1893.

131. By Professor Lyman P. Powell, of the University of Wisconsin: Thomas Hobbes, a Study in the History of Economics.

132. By Professor E. A. Ross, of Cornell University: Seligman's Shifting and Incidence of Taxation, Printed in the ANNALS, January, 1893.

133. By Professor F. H. Giddings, of Columbia College: Ethics of Social Progress.

Professor F. H. Giddings, of Columbia College, then read a paper on "The Ethics of Social Progress." (No. 133.)

He said, "My paper will be an elaboration of the following propositions: First, all rational human life is a product of social conditions and all ethical personality, conceived as a well unified self-conscious mental life, harmonious within itself, and capable of indefinite expansion, is a product of those social conditions that we call progress. Ethical doctrine can be worked out, therefore, only in terms of a theory of social progress. Second, all social progress costs something. There can be no developmental increase and transformation of human activities except at the price of an absolute increase of social evils, that involve suffering, though if the progress is real, the absolute will not be also a relative or proportionate augmentation of evil. Moreover, these costs of progress are unequally distributed. The good of those who gain in material and moral well-being is bought with vicarious suffering. Third, a rapid rate of social change, especially an extreme intensity of industrial activity, exceeding the rate of creative reorganization, necessarily magnifies social evil and converts much of it into moral evil. The end would be social disintegration but for a reaction which sets in. The ethical consciousness of the

community is aroused and unified. A public and private philanthropy is created and tends towards a unified policy. Fourth, but all such reform or philanthropic work is itself a phase of progress and, like all other phases, has its cost in effort and suffering. Therefore, if philanthropic reform is hurried or pursued by too radical methods, it may convert the absolute increase of evil which progress costs into a relative increase, and so wholly defeat itself.

"The demonstration of these propositions is two-fold. They are corollaries of mental and physical laws, of the conservation of energy and the conditions of evolution. They are verified by historical and statistical facts. The suffering which progress costs is incidental to the destruction of valued relationships, of property and of occupations, made necessary by social growth and change. The essential fallacy of socialism is the assumption that these destructive changes might be prevented in a developing world. Poverty, therefore, can never wholly disappear, because men and women can never be alike creative, resourceful, versatile, and so capable of quick readjustment to changing conditions. Great numbers of men and women will always be practically unfree, not legal slaves, as in former times, but actually subject to task work under mastership. Ancient slavery was not a product of tyrannical oppression; it was the only economic disposition that could be made of those elements of the population that has failed in the first great creative tasks of civilization. The men and women in economic bondage to-day are miserable because the only services they know how to render have ceased to be of value in a civilization which is moving on to new methods and larger achievements. Society does not oppress them, it tries in crude imperfect ways to utilize and support them. Socialism could only substitute the public for the individual master.

"It does not follow that *laissez faire* is the last word of social science, nor that society has no moral responsibility for the costs of its own advancement. Under the intense strain of modern competition, due to the accelerating rate of

social change, population is concentrating in cities faster than wholesome conditions can be created, and millions of ignorant people are entering upon migrations that have no definite destination. Under such circumstances, the struggle for success results in an appalling moral wreckage. Statisticians have long recognized that suicide is a phenomenon of civilization. Mendsley finds in the extreme passion for getting rich a chief predisposing cause of moral degeneracy and insanity in offspring. Crime is no longer attributed by the well-informed to poverty, since rich and poor contribute in proportion to their numbers to the total criminal population.

"What, then, is the ethical duty of individuals and of society? It is first of all to admit frankly that in progressive society one portion of the community should be regarded practically, as in Christian doctrine, as free from the law, while another portion is under bondage to the law; because the one is creative, resourceful, capable of self-mastery and self-discipline, while the other can be made useful, comfortable, and ultimately free, only by being brought under mastership and discipline for a time. We habitually ignore this distinction in all matters save the separation of the criminal from the law abiding. We accept *laissez faire* as good for all men and all industries alike, or denounce it as bad for all alike. We advocate socialistic methods for the entire field of industry, or pronounce them impracticable for any part. We denounce compulsory education for any class in the community or insist upon forcing it by state machinery on all classes. In all this we confound distinct things and show ourselves irrational in the last degree."

This paper was discussed by Rev. S. D. McConnell, D.D., Rev. William I. Nichols and Mr. Hugo Bilgram.

Dr. McConnell said:—"With the latter part of the paper I am in almost entire accord. With the fundamental thesis, that the ethical faculty in man is a faculty which has been developed in the course of ages by the interaction of individual human beings upon each other in society, I am

not sure that I agree. That the ethical faculty has been produced in this way, that it has no sanction except what comes from that source, the recollection of utilities in the past—is this true? I, for myself, do not think it is true. I believe right here is an area in which evolutionists have unadvisedly set up their flag. The attempt to express all the phenomena of conscience (another way of saying ethics) in terms of social order is as essentially unscientific as it would be to attempt to express intellectual processes in terms of physics. That they are very intimately joined together, that they act and react upon each other, is beyond all question. The expression of the intellectual faculty is conditioned upon the physical nature; the expression of the ethical faculty is conditioned upon the social order. Those who are unable to conceive of the mind as an entity distinguishable from the body are the same persons who cannot conceive of the ethical faculty as separate from the social order. It has been said, there is nothing in the intellect which was not previously in the senses, except the intellect itself. It might with equal truth be said, there is nothing in the ethical faculty which was not in the social order, except the faculty itself. It is true that the action and the reaction of the ethical faculty upon the social organism has to an enormous extent modified them both, but the thing which cannot be explained in terms of the social organism is the faculty itself. The weakness of the theory is the impossibility of establishing it. I believe it is possible to show the absolute independence in function of the ethical faculty from the social organism, as Mr. Fiske has shown the absolute independence in function of the understanding from the brain. They move in correlated lines, but that the relation of cause and effect subsists between them I do not believe.

"To refer conscience to social progress as a cause is to empty it of all binding force. The practical objection to the whole way of thinking upon which this paper is based is that it provides no sufficient motive. If the distinction

between right and wrong is one which rests ultimately on human experience and has no sanction except the good of society, then I am constrained to feel toward society as did another about posterity: 'What has posterity ever done for me, that I should do for posterity?' If the sanctions of the conscience are to be sought for solely in social experience and in the good or evil which will flow from my actions to the social order, that will serve me very well so long as I need neither motive nor restraint.

"I was deeply interested in the distinction between integrity and utility which the essayist made, keeping himself to the etymological force of the words. But he drew therefrom what seems to me a false conclusion, that wherever conflict arises utility must go to the wall, because the man's sense of integrity, of wholeness, will compel him to stand up for his integrity at the sacrifice of utility. But utility always masquerades as integrity. The distinction which is drawn is not valid outside of the closet in every-day life.

"It is more true that social progress is due to ethics than the reverse. I was deeply interested in the essayist's treatment of the continuity of moral evil; he does not expect that evil will disappear from the world.

"I could not help thinking that there was a confusion in the argument which so clear-sighted a man would not have fallen into but for his, as it seems to me, false premises. If there is no sanction and no ground for ethical faculty or rule except in social progress, the stream can never rise higher than its fount. The vice of this whole way of thinking seems to me to be that students of ethics are not compelled to deal with ethical problems in the concrete, but only in the abstract. The fundamental thesis seems to me without motive power. This conception of ethics might produce a Plato, or perhaps a John the Baptist; it could not produce a St. Paul, and a Sister of Charity is a fool in the presence of it.

"But ethical progress has always outrun the material or social progress of the world. The moral progress of the

century now drawing to a close has been five-fold as great as either the physical or material progress. The moral judgment of a gallery god at a theatre in Philadelphia to-night is a more accurate moral judgment than that of many a philosopher of the last century; an accurate ethical standard has been generally diffused."

He was followed by Rev. William I. Nichols, who said:

"Society exists not for itself alone, but also exists for the individual, and in that sense we may say that morality is the result of social progress. It seems to me that the keynote of the address is that social progress involves cost, and we cannot have anything without paying for it, I think that that law which goes through all society applies also in the matter of civilization, and with knowledge there does come increase of evil. I agree with the essayist again that we cannot expect the elimination of evil or suffering from the world; but we can make indefinite progress.

"Then it was said by the last speaker that moral progress has been far greater than social progress. I understand that there has been vast progress in morality. Still, I feel that we who attempt to be leaders of morality ought to feel put to shame by those great men who have been leaders in the material progress of the world; the relative improvement in the moral standard has been far less than could be expected.

"I agree with the address throughout except, perhaps, as to the matter of immigration. The essayist seemed to think that each nation ought to bear the burden of its own evil. I feel that we cannot shut ourselves up and feel that we are simply going to enjoy ourselves in this nice island of a Continent. I believe we have to be ready to accept as a price of our progressive happiness here, this cost. I do not believe the evils in the nation can be attributed to the immigrants; they come here and find the evils that cause them to be dangerous. We should take away from them the dangerous weapon of strong drink that makes them a

menace to society. I believe this is part of our mission, to be uplifters of those who come to us.

"No people have a right to live in luxury in one part of a city or country, and let the wretched go their miserable way. While I agree with the suggestions of the essayist and believe them to be excellent, I think he fell just short of the highest and best remedy. This remedy is the expression of a Christian spirit, that those who are strong ought to be willing to bear the infirmities of the weak. We are all members one of another, I believe we shall go on making indefinite progress in proportion as we make men believe this.

"Time was when the strongest men physically were kings and rulers. No longer do we gain by physical superiority, but by mental power. But this does not give us the right to use whatever privileges we have acquired to the injury of others. Nothing is ours to keep; all things are ours only to elevate mankind. We are always compelled to come back to those principles set forth so sweetly and beautifully in the ethics of the New Testament; these are the principles that make for the moral regeneration of the universe."

SEVENTEENTH SESSION.

The Seventeenth Scientific Session of the Academy was held in Philadelphia on Thursday, January 12, 1893, at the Drexel Institute, at 8 P. M.

The secretary announced that the following papers had been submitted to the Academy since its last session:

134. By Ellis Paxson Oberholtzer, Norristown, Pa.: Home Rule for our American Cities.

135. By E. V. Robinson, Schoolcraft, Mich.: The Nature of the Federal State.

136. By L. S. Merriam, Baltimore: The Theory of Final Utility in its Relation to Money and the Standard of Deferred Payments. Printed in the ANNALS, January, 1893.

137. By W. Milliet, Berne, Switzerland: The Alcohol Question in Switzerland. Printed in the ANNALS, January, 1893.

138. By Henry M. Hugunin, Chicago: Government Annuities for the Aged.

139. By Geo. Steinson, Astoria, N. Y.: Colonial Communism, Jamestown, 1607-1619 and (140) Colonial Communism, Plymouth, 1620-1627.

141. By Barton A. Ulrich, Chicago: How Should Chicago be Governed?

142. By Hon. A. B. Hepburn, Washington: State and National Bank Circulation. Printed in the current number of the ANNALS.

143. By Hon. Michael D. Harter, Mansfield, O.: American Banking and the Money Supply of the Future. Printed in the current number of the ANNALS.

144. By W. E. C. Wright, Cleveland, O.: A Study of the Southern Mountain Population.

145. By Horace White, New York City: National and State Banks. Printed in the current number of the ANNALS.

Professor E. J. James then introduced Mr. Horace White, editor of the New York *Evening Post*, who read the principal paper of the evening, on "National and State Banks" (No. 145).

Hon. William L. Trenholm, ex-Comptroller of the Currency, was then introduced by the President. He said in substance:

There can be no doubt as to the soundness of the principles set forth in Mr. White's paper. Unfortunately, in our country there are a great many people who have not studied the subject, and they are not all of them outside of the two Houses of Congress. It is not to be expected that the representatives of a free people should, as a rule, know very much more on any subject than the average of their constituents, and therefore, if we find a great many members of both Houses who have failed to study this question we are entitled to consider that this is because in the constituency from which they come there is a decided majority who have themselves not studied it either, and therefore who find it no disadvantage to their own interests in being represented in Congress by those ignorant of the subject.

Now when I said that there were those in Congress who had not studied this question, I did not mean by that to cast a reflection upon any member of that body. We must re-

member that these monetary questions have come up recently. Nearly all the members of Congress in both Houses have obtained their prominence upon other issues. Therefore, while it is an unfortunate thing for the country that it does not come in the way of most of the influential statesmen to investigate the subject fully, it cannot be made a reproach to them for not having done so. But there is one way in which the people can make their representatives study this matter, and that is by taking it up themselves. And if there is any question which touches every man, woman and child in this country more nearly than any other, it is the question as to what sort of money we are going to be dependent upon for carrying on our business, and obtaining the fruits of our labor. The people of the United States are an industrial people. There is no population of equal size in the world in which there are so many actively engaged in industrial pursuits, or so many who are dependent wholly upon those who are thus engaged. Whether it is in manual labor, or labor in directing, or in the application of capital, it is all industrial effort. The vast industrial products of this country must be exchanged and transported ; and banks must be managed by which these exchanges and transportations are alone effected. Now that which promotes all this great machinery of industry is the money that is in circulation among the people.

As long as that money is absolutely good in the estimation of those who receive it and pay it out, the whole machine proceeds without jar or creaking. But if there is doubt in the minds of the public, as to whether the dollar they take to-day is going to bring them back as much in value to-morrow or next week as they are giving for it in their labor, or their property, or their products, then there is an obstruction, an interruption to the progress of industry, and as the number of those who have this doubt increases, so do the points multiply at which friction arises, and a retarding of the whole industrial machinery results.

It has been fortunate that during the time covered by the experience of most of those who are now living and carrying on this great industrial machine that the money that we have had has been all good money. It is true that up to 1879 the greenback and the National bank-note was not worth as much as gold coin and the gold notes of the country; because there was at that time a depreciation of the paper currency. It was not felt, however, as a very serious inconvenience among the people at large, because there was a general confidence that it only required a certain amount of time to enable so great and prosperous and intelligent a people as this to bring its currency up to its full intrinsic value in gold; but the process by which that end was accomplished was a costly and tedious one, and between the time that the Resumption Act was passed and the time at which resumption was actually accomplished, all industry was more or less hampered, all credit more or less curtailed; and to use a familiar expression "Times were hard." It was a long, steep hill up which the country had to toil from the low level of a depreciated currency to the high, honest level of a currency equal in value to its nominal gold equivalent.

Now that experience should make us very uneasy as to anything that threatens to disturb the present position of our currency on the gold level. If it should fall again, as it did during the war, we shall have that same tedious hill to climb, because there is a commercial necessity, there is a natural law, stronger than any statutes we ever passed, stronger than the whole of our community, which makes it an absolute necessity that a great commercial nation like this must have its money of the best that is obtainable, or else it must suffer intolerable inconvenience and burdens.

We are in danger of letting down the gold standard, and every man and every woman in this country should, if possible, be made to understand that if this happens it will cost us years of sacrifice, years of toil, years of tribulation to get back to it.

This is considered a dry subject by those who look at it only from a speculative point of view; but it is a subject of the profoundest interest to those who will once satisfy themselves that the future of what they possess as individuals and families; the value of what they are going to leave behind them to their children will depend upon the legislation of Congress in respect to this monetary question. A life insurance policy, a pension derived from the Government, an investment in lands, a permanent salary, an annuity under a bequest, may all be reduced in value by inconsiderate and improper legislation. A man who has labored, sacrificed, and stinted himself to leave something to his children must find that that little which he leaves them is greatly reduced in value because of a law passed by Congress to which he gave very little attention at the time.

The money that we use measures the value of everything we do, and everything we possess. If that money is itself of constant value then we know that the dollars that have cost us so many days' labor will save our children a like number of days' labor, or what is equivalent, will supply them with a like amount of the necessities of life. But if by act of Congress, or by the failure of Congress to act, the dollars that we are now toiling for, and are putting into property by which our labor and our sacrifices are measured, hereafter fall to a lower value, then our children will get less, although they may get the same number of dollars. That is the thing that we have to keep in our minds, that is the thing we have to explain to those whom we desire to influence; that is the thing, that if brought home to every man and every woman will impress itself strongly on their minds. It is not the dollars that we work for, it is the dollar's worth.

Now if you let Congress reduce the value of that dollar you will all be having your labor, your income, your efforts, whatever they may be, professional or otherwise, measured by a false weight, a false value, or measured by false rules, and you will all suffer.

There are men whose situation in life, whose experience in business, whose opportunities are such as to enable them to take advantage of a depreciating currency and become rich, while the rest of the community are becoming poor, but those are not the masses of the community; those are not the farmers, the artisans, the clerks, the hard-working professional men, who have no time for these considerations, who are intent only upon doing their quota of work, and obtaining the recompense for it. They may go on month after month, receiving their pay in a depreciated currency, without knowing it is depreciated and depreciating. The bankers and astute men will know, and they will take measures by which they will indemnify themselves against the depreciation. The people must suffer the losses and bear the burdens, and then when the bottom is reached the hill has to be climbed again.

The experienced can take care of themselves, the masses are those who will be irretrievably injured by Congress; therefore, if we want to prevent this, we must get at the masses, who vote for members of Congress, and urge them not to allow their Representatives to remain ignorant upon so important a subject.

The President said:—The discussion will be continued by Hon. Michael D. Harter, of Ohio.

Mr. Harter spoke, in substance, as follows:—*In regard to most of the things that have been said I sympathize very closely indeed with the principal speaker of the evening. It could scarcely be otherwise, from the fact that I have been, in many ways, a kind of humble disciple of Mr. White since the year 1872, and yet I cannot help feeling, as a practical banker, that possibly another course is easier of adoption, would appeal more strongly to the country to-day, and can be rendered more quickly effectual.

The great difficulty in dealing with a question like this in practical legislation is that, owing to the composition of Congress, and it is no reflection upon that body, made up,

* Compare Mr. Harter's paper in the current number of the ANNALS.

as it is, almost exclusively of professional men, with a sprinkling only of business men, this kind of subject cannot be approached, and the dictates of logic followed, as they might be followed, either in an assembly made up of philosophers and students of this subject, or in a bank parlor, filled with men who had had many years of practical and theoretical experience in this branch of business.

You discover the kind of ignorance referred to in the most unexpected quarters. For instance, just at this moment in the minds of most people the vital question is how shall the purchase of silver with the public credit be quickly stopped? If you have followed the utterances of distinguished public men you have probably observed that in speaking of the difficulty of repealing such portions of the Sherman act as provide for the purchase of silver bullion, they invariably wind up their remarks by saying it would be a contraction measure, and so far no substitute has been provided for it.

Now so long as it is impossible for the leading legislators of the country to understand how the stoppage of silver purchases at this time would become an inflation measure of the most wholesome character rather than one of contraction, we see the practical difficulties which lie in the path of the wisest action.

Therefore, we come to the conclusion that that which is nearest at hand should be adopted, provided there are no great objections to it. In this country, and in the world at large, there are several systems of banking. The one outlined by Mr. White is almost identical with that of our neighbors in Canada, and in speaking of this it would only be a eulogy, perhaps, on the system recommended by Mr. White, to say that the system in our sister country has been a very successful one indeed.

The French system is under the immediate control of the Government in a way which is not practicable in a country so extended as ours, where legislative action is so extremely slow, when it is most necessary it should be speedy. Hence any system of banking which we may adopt for general use,

must not depend for its safety on anything important or essential which implies prompt action by Congress. You have an example of it just now. The people, those in business life at any rate, consider that the present course of buying a large quantity of silver bullion every month, which we do not need, is tending towards bankruptcy, towards a crisis, towards commercial distress, towards disaster in business circles and disaster in every home, yet you see how slowly Congress moves even under these circumstances. When the men in the country are assured of a crisis, and when they can feel the tremor of the coming earthquake, how impossible it is to induce Congress, under these serious circumstances, to take any quick, prompt action upon this question. Therefore, I say, we must have a banking system, when it is once finally adopted, which will under any circumstances permit of prompt positive relief.

Now I am one of those who believe, to the fullest extent and in the heartiest manner possible, that if we were to provide any facilities for the increase of banking circulation, but made no provision for the increase of money circulating in trade, we should always have enough and the very best kind of money for all purposes. Our goods would be sold, and, as Mr. White says, would bring to the country the best kind of money in the world.

The earlier some action can be taken on the banking system the better, but it seems to me that no headway can be made in Congress until we can point to a banking system as a source from which the circulation of the country can be increased. You must understand in this kind of legislation that we are obliged to meet the conditions as they exist before you can get a great body of men in Congress to favor, continuously at any rate, any kind of wise legislation. You must provide a banking system which does promise to supply the money infallibly when it is needed.

You will remember when we undertook to reduce the Greenback circulation from four hundred millions, at the very

moderate rate of four millions a month, which was done by Secretary McCullough, before we had proceeded eleven months the people of the United States stopped the operation. The result is our progress in that direction produced a reduction of only forty-four millions of dollars. And this point is constantly urged. Therefore, I say it is very essential in this matter that we should make some progress in the direction of a banking system which the country will deem sufficient, and which will go on developing, furnishing the people good money, which the business interests of the country demand.

Now we cannot reach that quicker than by following as closely as may be the system established in 1838 in New York and afterwards copied by all, or nearly all, of the banking systems of the country, because this system has the unlimited confidence of the people of the country. It is very easy to supplement that which we have already in operation, and how shall we do that? I think everybody agrees with me that at this time the question of bank legislation would in no sense be a burning one if a supply of Government bonds were to remain upon which to base the circulation. The question is whether government bonds cannot be supplemented. If they can be, it seems to me that the whole question is solved.

Confessedly if a government bond could be carried on favorable terms in unlimited quantities, there would be no question of the purchase of silver or any artificial methods of increasing the currency.

It seems to me a class of securities adapted to the purpose is right at hand. This country is rich in collateral securities for banking circulation, and competent men can throw such necessary safeguards around them as to remove from them all their danger.

Let me speak, then, of a kind of securities which everybody is more or less familiar with; one that is in all respects as good as those which the Government has issued. Nor would these securities, for the purpose of maintaining

the banking circulation excite prejudice against the national banks. This would break out with ten-fold more force if it were seriously proposed either to increase or continue the debt of the United States in order that bankers might profit by it. It would not suffice to allay the prejudice of the country, if you were to point out that the very low rate of interest put on the United States bonds left no considerable profits to the banks.

The class of bonds I allude to are those of the railway companies; the best securities in existence in the world. I have never been a believer in the idea that the ultimate securities of a bank note should be based upon either gold or silver; the current security, the power to redeem it day by day, and the power of continual redemption which should go on, should be based upon gold, of course. But the ultimate redemption of a bank note ought not to depend upon gold or silver deposited as security for the note, because that becomes the most wasteful kind of security, and the most unprofitable, because it locks up funds which could be profitably employed in the active business of the country. It is not so with the bond bearing interest, if that bond is laid aside for security for circulation, it does not diminish in value or earning power, and therefore it becomes the choicest kind of security. Suppose that this had been the law, can you not judge the future by the past? Since 1865 you have had bank after bank failing and bankruptcy after bankruptcy; under your railroad act you have had reorganization after reorganization, and vast sums have been lost in these enterprises and investments, but if these securities, under such restrictions as this had been adopted from 1863, and had continued down to this day, with the United States as endorsers upon the bank note circulation for the people as holders of this circulation, the people would not have lost a penny.

But there is a step further; we could stop here, but the people represented in Congress are unwilling, they say; we are not content with a national system, we are not content

with a tax law upon the statute books which was not intended for revenue, which was intended to oppress the business interest in the various States, which was intended to give the central Government control over what rightfully belongs to the State Government. This is a potent factor in the arguments used by a majority of the Representatives in Congress; they are not content to increase the kinds of securities which may be deposited for the security of circulating notes of National Banks. They demand that the tax be taken off from the State Bank circulation. Now the fact is, a majority of these people would, I believe, be content to see a removal of that tax with a condition, and that condition would be that notes of State Banks should be secured in the same manner as those of the National Banks were by law secured. The present House is not willing, and it is not at all probable that in the course of a year or two it will be willing, to have any restriction whatever placed upon the circulation of State Banks. Personally, I do not think that it is a very important matter, but it seems to alarm a great many people through the country. Visions of "red dog," "stump tail," and "shin plaster" circulation disturb the people. I confess I never had this kind of fear. I know it is a well-established principle that the Gresham law is as unavoidable as the law of gravitation; but it never seemed to me a fair application of the Gresham law to claim that an inferior bank circulation would crowd out a better. It is true if both were legal tender, and that a creditor were obliged to take either that a debtor presented to him, the law would apply with the same force to a more worthless credit which would drive out the other; but where two currencies are neither legal tender then the operation of the law is naturally reversed, and the better will inevitably drive out the poorer. In other words, I believe to-day, that if I were given permission to open a shop on Chestnut or Fourth Street, and if I were authorized to issue circulating notes signed by myself, under the present conditions, it would not be

a very profitable grant to me. I scarcely know exactly how I should get those notes beyond my doorstep, and if I got them out, I do not know of any way in the world by which I could keep them out and remain in Philadelphia. There is no danger, or not much, that you will ever have a large number of State banks under any circumstances issuing State notes. There are three or four reasons for it, looking at it from the point of view of a banker and business man.

The first is, that very few of the States at this time would cumber themselves when an efficient and popular national system was in existence. I think very few of the States in the Union would pass laws in conformity with the law of the United States, and if they did not, their banks would not be enabled to issue money. The next reason is a very good business reason. It rests on the principle that a large business can be conducted at a smaller expense than a smaller one, and the result of this would be that the taxation of banks organized under a national system would be at a lower rate than any other State could fix upon a State bank if they were to be maintained profitably.

Then, thirdly, the credit of a national bank would be greater than that of a State bank, and the profit on banking, especially in circulation, depends very largely upon credit, and as the credit of the National banks would go arm in arm with the greater profit under the National banking system, it naturally follows that State banks would be discouraged.

There is still another reason, which appeals to me as a banker, and I think this point has occurred to a great many people in the United States, viz., the provision which makes the circulating notes of one bank a legal tender, not to individuals, it is true, but to other banks. And so long as this requirement exists it would secure for the national banks a wider and cheaper circulation, and make redemption much more infrequent, and therefore less expensive, and leave a larger margin of profit.

As a precedent to organizing a good banking system, we ought not to rest until we have established the whole cur-

rency system of the United States upon gold as the sole standard of value, with the determination that the Government when it furnishes the country with a dollar in gold shall aim to put as much gold into it as will sell in the market for a dollar. You will provide silver money and subsidiary coin intended for circulation, and paper money as well, which at all times must be redeemable in gold, and without any interest, cost or expense to the people.

I really believe that were gold a standard firmly established it would not be necessary to have any bank circulation. I do not believe that a bank note circulation would be an absolute necessity. I believe if you were to once establish the principle that gold was the sole standard of value in the United States, and that it would always be kept so, that the capital of the world in the shape of gold would always flow to us, and we should never reach a period when for any length of time any intelligent man could say there was a deficiency of circulating money in the United States.

The President:—"Mr. Walker, member of the House Committee on Banking, is present and we will be glad to hear from him."

Mr. Walker said:—I am rather late in rising to make any extended remarks, but I may say that I believe, as it is sometimes said, "That it is darkest just before day," that before the expiration of 1893, Congress will have settled this currency and coinage question, and settled it upon the lines indicated by the first speaker here to-night.*

A motion was then made that the thanks of the Academy be extended to Messrs. White, Harter and Trenholm for their able and instructive addresses which was agreed to.

A vote of thanks was also extended to the Managers of the Drexel Institute for the use of the hall on this occasion.

* See Mr. Walker's paper, "The Banking System—Old and New," in the current issue of the ANNALS.

PERSONAL NOTES.

AMERICA.

Amherst.—Anson Daniel Morse, who was last year elected to the chair of History in Amherst College, was born August 13, 1846, in Cambridge, Lamville County, Vermont. His preparation for college was obtained at the Union School of St. Albans, Vermont, and at Johnson Academy, Vermont. In 1866, he entered Amherst College, from which institution he was graduated 1871, with the degree of A. B. The year following graduation was spent abroad, mostly at Florence and Rome. From 1872 to 1875 he taught in Williston Academy, Easthampton, Massachusetts, receiving in the meantime, in 1874, an A. M. from his *alma mater*. The year 1875–76 was spent studying at Heidelberg, Germany. Then he accepted the position of Instructor of Political Economy in Amherst College. In 1877–78 his position was that of Professor of Political Economy and Instructor in History; from 1878 to 1892 he served as Professor of History and Political Economy. In 1892 his position was changed to the Professorship of History.

Professor Morse is a member of the American Academy of Political and Social Science, and in 1890 was elected by the Academy to the position of Councilor. He is a member of the American Historical Association, and the American Economic Association, in which body also he has held the position of Councilor.

The published works of Professor Morse are:

"*The Increase of State Control and its Causes*," The Citizen, May, 1886.

"*The Political Influence of Andrew Jackson*," Political Science Quarterly, June, 1886.

"*The Cause of Secession*," Political Science Quarterly, September, 1887.

"*Equality in Taxation—Commercial Union With Canada*," Contributed to "The National Revenue," 1888.

"*Preparation for Citizenship at Amherst College*," Education, December, 1888.

"*The Commercial Relations of American Countries*," The Chautauquan, March, 1889.

"*Alexander Hamilton*," Political Science Quarterly, March, 1890.

"*The Place of Party in the Political System*," ANNALS OF THE AMERICAN ACADEMY, November, 1891.

"*The Democratic Party*," Political Science Quarterly, December, 1891.

"*The Republican Party*," Political Science Quarterly, September, 1892.

Beloit College.—Professor Aaron Lucius Chapin, of Beloit College, died at Beloit, Wis., July 22, 1892. He was born at Hartford, Conn., February 6, 1817. He entered Yale College, taking the degree of A. B. in 1837, and then studied at Union Theological Seminary preparatory to entering the ministry. He completed his course there in 1842, and two years later accepted a call to the First Presbyterian Church of Milwaukee, Wis. This pastorate was held until 1849, when he was appointed President of Beloit College. In 1853 he was made Professor of History and Civil Polity in the same institution. He resigned the presidency in 1886, but continued to fulfill the duties of his professorship until the time of his death. Professor Chapin received the honorary degree of D. D. from Williams College in 1853, and that of LL. D. from the Regents of the University of the State of New York in 1882. He was a member of the Political Economy Club of New York and of the Wisconsin Academy of Sciences, Arts and Letters, holding the presidency of the latter society from 1878 to 1881. Besides many contributions to the Chicago *Dial*, he has published the following works:

"*Recast of Wayland's Elements of Political Economy.*" New York, 1878.

"*First Principles of Political Economy.*" New York, 1879.

Articles in "Johnson's Cyclopædia," as associate editor, on political economy and related subjects.

Professor Robert Coit Chapin succeeds to the chair left vacant by his father's death. He was born at Beloit, Wis., January 4, 1863. After a preparatory course at the Beloit High School, he entered Beloit College in 1881, graduating in 1885. He received the degree of A. M. from that institution in 1888. In 1887 he became a student at the Yale Divinity School, taking the degree of B. D. there in 1890. His theological course embraced extra work in the field of history and economics, and after graduating from the Divinity School he accepted an appointment as Professor of History and Instructor in Modern Languages at Drury College, Springfield, Mo., a position which he held until called to the chair at Beloit. Professor Chapin is a member of the Wisconsin State Historical Society.

Nebraska State University.—Howard Walter Caldwell, appointed Professor of History in the Nebraska State University at the beginning of the present academic year, was born August 26, 1858, at Bryan,

Williams Co., Ohio. He entered the Nebraska State University at Lincoln in September, 1874, taking the degree of Ph. B. in June, 1880. The same year he became Principal of the High School at Geneva, Neb., and the following season, 1881–82, held a like position at Lincoln. During 1882–83 he studied at Johns Hopkins University, Baltimore. He was Instructor in History in Nebraska State University from 1883 to 1887, when he was made Adjunct Professor of History; then in 1891 Associate Professor of American History and Civics, and in the present year full Professor. He has been Secretary of the State Historical Society since 1890; is a member of the American Historical Association and of the American Economic Association.

Professor Caldwell has published the following works:

"*History of the University of Nebraska.*" Reports and Transactions Nebraska State Historical Society. Vol. III.

"*History in American Colleges.*" Report of State Superintendent and Educational Journal. 1890.

In preparation: "*Methods of Teaching History,*" to appear in Journal of Education, 1893; and "*History of Education in Nebraska,*" will appear as a monograph in the Educational Series.

He is editor of "Reports and Transactions of Nebraska State Historical Society."

University of Chicago.—Professor Henry Pratt Judson has accepted the Professorship of Political Science and Constitutional History in the University of Chicago. He was born at Jamestown, New York, December 20, 1849, and graduated from Williams College in 1870. Immediately after graduation he was appointed to the position of Instructor in Classics and History, and Principal in the High School of Troy, N. Y. In 1885 he resigned this position to take the chair of History in the University of Minnesota, where he remained until called to Chicago in 1892. Professor Judson received the degree of A. M. from Williams College in 1883. He is a member of the American Historical Association and the American Academy of Political and Social Science. Besides contributing to periodicals, he has published the following works:

"*Allen and Greenough's Cæsar's Gallic War*" (as joint editor). 1885.

"*Cæsar's Army.*"

"*Troy Citizen's Corps*" (a study in local history). 1885.

Professor Edouard Hermann v. Holst, who has accepted the position of Head Professor of the Department of History in the University of Chicago, was born at Fellin, in the province of Livonia, Russia, June 19, 1841. Livonia is a portion of the district conquered by the German Order, and was colonized by Germans, but

was ceded to Russia in 1721. Professor v. Holst's birthplace is just west of Dorpat, and some two hundred miles southwest of St. Petersburg. The son of a Lutheran minister, a German by descent, he received his early education at a gymnasium in his native town, and in the spring of 1860 entered the University of Dorpat. This he left in 1863 to continue his work at Heidelberg, where Häusser was lecturing at that time. Here he received the degree of Doctor of Philosophy in 1865. In the summer of 1866 he went to St. Petersburg, as a teacher, having previously begun by travel in France, Italy and Algiers, to develop the broad cosmopolitan spirit which gives his university instruction a peculiar value. During a second visit to southern France, in 1867, his publication of a political pamphlet* on the significance of the attempt made in 1866 by a Russian revolutionist upon the life of the Czar prevented his return to St. Petersburg. In July of 1867 v. Holst sailed for the United States, where he had to make his way in the face of extreme poverty. He occupied himself in teaching and became assistant editor of Schem's "*Deutsch-Amerikanisches Conversations-Lexicon*," acting at the same time as correspondent of the *Kölnische Zeitung*. With the encouragement of his friend, the eminent historian v. Sybel, he began the study of our government and history, which resulted in his great work upon the constitutional development of the United States. After five years' residence in this country v. Holst accepted a call in 1872 to the newly reorganized University of Strassburg, as Assistant (extraordinary) Professor of History. In 1874 he was called to the University of Freiburg im Br. as full Professor, a position he occupied when invited to undertake the work in Chicago. In 1878–79 Professor v. Holst was delegated by the Prussian Academy of Sciences to make further historical investigations in the United States, having placed at his disposal a considerable sum of money for this purpose. On this occasion he was able to visit the Southern States and the districts beyond the Mississippi for the first time.

Professor v. Holst is not wanting in political experience. In 1882 he was summoned by the Grand Duke of Baden to membership in the upper house of the Diet, a position he later held as representative of the University. His legislative duties occupied a very considerable portion of his time during the sessions of the legislature.

Professor v. Holst lectured in Freiburg upon the History of the French Revolution, of the Napoleonic Period and of Europe since 1815, as well as that of Prussia. He possesses great powers as a lecturer and will, with his broad, living knowledge of European conditions,

* "Das Attentat vom 10 April in seiner Bedeutung für die culturgeschichtliche Entwicklung Russlands."

awaken in the American students a new interest in forms of modern development outside of the United States.

Professor v. Holst has for years past directed almost his entire attention to his extended work "*Verfassungsgeschichte der Vereinigten Staaten seit der Administration Jacksons*," * the first volume of which appeared in 1873, and which is now complete, comprising in the English translation seven volumes and covering the period from the election of Jackson to the outbreak of the war. This work has been carried on, it ought to be said, far away from any great collection of materials and in spite of prolonged and distressing ill-health, which might well have driven all thoughts of continuing his laborious undertaking from the mind of a less determined author. In addition to this Professor v. Holst has published "*Staatsrecht der Vereinigten Staaten von Am.*" (translated) in Marquadsen's "*Handbuch der Oeffentlichen Rechte*," 1885, and the volume on "Calhoun" in the American Statesman Series.

GERMANY.

Munich.—Karl Konrad Ferdinand Maria von Amira, of the University of Freiburg in Baden, has been elected Professor of Civil Law, Public Law, Bavarian Law and the History of Law and of the German Empire at the University of Munich. Professor v. Amira was born at Aschaffenburg, in Lower Franconia, Bavaria, and received his early education at Munich in the common schools and at Wilhelm's Gymnasium. His higher education was obtained at the University of Munich, from which he received, 1873, the degree of Doctor of Jurisprudence. In 1874–75 he was instructor (*Privatdocent*) at the University of Munich; since then he has been Professor (*Ordentlich*) of Church Law, German Law, and International Law, and Professor of the Encyclopædia of Jurisprudence at the University of Freiburg in Baden.

Prof. v. Amira has been since 1887 a member *Ordinarius regiæ scientiarum Upsalensis*, and in 1892 became a corresponding member of the Royal Bavarian Academy of Sciences, of Munich.

Besides several critical essays on the history of law, which appeared in journals, especially the *Göttingische Gelehrte Anzeigen*, 1881–1892, he has published the following works:

1873. "*Die Formen der Verfestung in den oberbayerischen Rechtsquellen des 14. Jahrhunderts.*" (Oberbayer. Archiv, Band XXXII.)

1874. "*Das altnorwegische Vollstreckungsverfahren.*" München.

1874. "*Erbenfolge und Verwandtschaftsgliederung nach den altniederdeutschen Rechten.*" München.

* The first volume is introductory and appears in Germany as "*Verfassung und Democratie der Ver. Staaten von Am.*"

1876. "*Ueber Zweck und Mittel der germanischen Rechtsgeschichte.*" München.

1877. "*Die Anfänge des normannischen Rechts.*" (Histor. Zeitschrift, Neue Folge, Bd. III.)

1875. "*Die Vormundschaft im deutschen Recht des Mittelalters.*" (Kritische Vierteljahrsschrift für Gesetzgebung, etc., Bd. XVII.)

1876. "*Zur salfränkischen Eideshilfe.*" (Germania, Zschr. für deutsch. Alterthum, Bd. XX.)

1882. "*Nordgermanisches Obligationsrecht.*" Band I. (Altschwedisches Obligationsrecht.) Leipzig.

1883. "*Das Endinger Judenspiel, zum ersten Mal herausgegeben.*" Halle.

1888. "*Zur Textgeschichte des Frostupingsbók.*" (Germania, Bd. XXXII.)

1889. "*Recht*" (im Grundriss der german. Philologie von H. Paul, Bd. II *b*, Seite 35–200).

1890. "*Investitur des Kanzlers.*" (Mittheilungen des Instituts für österreich. Geschichtsforschung, Bd. XI.)

1891. "*Nordgermanisches Obligationsrecht.*" Band II. Westnordisches Obligationsrecht.) 1. Hälfte.

1891. "*Thierstrafen und Thierprocesse.*" Innsbruck (auch in Mittheil. des Instituts f. österr. Geschichtsforschung, Bd. XII.)

BOOK DEPARTMENT.

EDITED BY

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REVIEWS.

HENRY GEORGE *vs.* HERBERT SPENCER.

A Perplexed Philosopher, being an examination of Mr. Herbert Spencer's various utterances on the Land Question, with some incidental reference to his Synthetic Philosophy. By HENRY GEORGE. Pp. 319. New York: Charles L. Webster & Co. 1892.

Social Statics, abridged and revised; together with the Man versus the State. By HERBERT SPENCER. Pp. 431. New York: D. Appleton & Co. 1892.

In his latest polemic Mr. George makes so bold as to accuse the "Synthetic Philosopher" of moral cowardice. Under the three general captions, the "Declaration," "Repudiation" and "Recantation," is graphically related the history of Mr. Spencer's opinions on land ownership. In "Social Statics" (edition of 1850) he set forth that all men have "equal rights to the use of this world;" that private ownership of land is "an infringement" of those rights; and that society, after giving compensation to owners, should resume the ownership. In 1878, Mr. George, in "Progress and Poverty," cited Mr. Spencer's authority in support of his contention. But in 1882, finding his name coupled with Mr. George's, and condemned for advancing a dangerous doctrine, he disclaimed all adherence to such "visionary" proposals in a letter to the *St. James' Gazette;* saying that he had already withdrawn "Social Statics" from English circulation and interdicted translations, as studies subsequent to that work had caused him to change his ideas as to the practicability of land nationalization. Again, in 1884, in "Man versus the State" and in 1889, in

letters to the *Times*, he took occasion to reject Mr. George's theories; and in 1891, in "Justice," he set forth his modified views on Land. Meanwhile, all this time "Social Statics," the sale of which had been forbidden in England, was being printed and sold here in this country. Mr. Spencer brought out an "expurgated" edition in 1892.

Mr. George tells this story of the trials of the synthetic but "perplexed philosopher" in his usual trenchant and taking style. He guards himself admirably from side and rear attacks by quoting in full everything Mr. Spencer has ever written on land, the chapters in "Social Statics" (1850) and "Justice," and the letters to London papers. But he allows his anger to carry him too far. His language too often is vituperative; he sneers at the philosopher's method of compiling his synthetic philosophy; and he even drags in Mr. Spencer's pleasures and pastimes as proofs of his allegations—all of which are unworthy of a dignified book and of Mr. George. Again, all his comments on the evolutionary philosophy are lugged in, and only expose him to attack where he is not prepared to defend himself.

He very properly, however, and very adroitly rings the changes upon the stoppage of the sale of "Social Statics" in England years ago for fear it would be used in the dissemination of "communistic" ideas, and its continued sale in America, where the people are supposably equally unsophisticated. This strange inadvertence Mr. George explains on the hypothesis that Mr. Spencer did not want to jeopardize his reputation in England, but was unwilling to forego the large royalty received from his American publishers.

But, in spite of Mr. George's circumstantial evidence, it is to be doubted whether the man who has constantly waged war against the dominant religious, philosophical and political theories and parties is afraid of his conclusions in this one lone instance.

When Mr. Spencer brought himself to revising "Social Statics," he evidently did it in some petulance. Instead of revising his chapters on land and property as he does the remaining ones of the book, he simply throws them out. His excisions were so unsparing that, to make a more sizable and salable book, he had to incorporate his well-known brochure, "The Man versus the State." His readers will greatly prefer the old version. He has condensed too much. One can see no reason why his modified views on land were not included in this volume instead of referring the reader elsewhere. Mr. Spencer has weighty and worthy reasons for thinking it impossible to obtain pure equity in land ownership, even granting, as he does, that present arrangements are traceable to "unscrupulous violence." He has always differed from Mr. George as to compensation of land-owners.

If for nothing else, they should have been given to give completeness to his little treatise on absolute ethics.

Yet inadvertently he has affirmed all that he wrote in 1850. He begins his chapter on "Socialism" with "all men have equal rights to the use of the earth" just as they have to air, light and water; and he admits that "land nationalization" is "equitable in the abstract." We find ourselves, therefore, in somewhat of a quandary when he tells us that "the moral law is the law of the perfect man," that it ignores present conditions, and "prescribes the conduct of an ideal humanity," which it must be man's duty ever to approximate, and at the same time condemns Mr. George's endeavors to attain to that state.

FRANK I. HERRIOTT.
Baltimore.

TWO BOOKS ON INSURANCE FOR THE POOR.

Insurance and Saving. A Report on the Existing Opportunities for Working Class Thrift, with an introduction on the Poor Law as an Obstacle to Thrift and Voluntary Insurance. Charity Organization Series, Vol. I. Pp. 117. London: Swan, Sonnenschein & Co. 1892.

The State and Pensions in Old Age. By J. A. SPENDER, with an Introduction by ARTHUR H. D. ACLAND, M.P. Pp. 161. London: Swan, Sonnenschein & Co. 1892.

To those familiar with the work of the Charity Organization Society, but little need to be said of this volume. It consists of a report of a special committee of the Society on this subject, with the report referred to in the title prefixed. The avowed object of the Society in issuing a series of volumes rather than the previous separate reports is to add dignity to its publications, and win for them a wider recognition. The portion on the Poor Law is now about half a century old, and is largely based on Eden's "State of the Poor" (1797). With the facts taken from Eden, are composed the facts of the first three years following the Reform of the Poor Law in 1834. The conclusions reached are such as are matters of universal belief to-day, namely, that an indiscriminate system of outdoor relief discourages thrift and saving.

The remaining portion of the work gives only a fair presentation of the work of the friendly societies and trade unions, as means of encouraging thrift and of relieving distress. It is shown that all the existing organizations, State and voluntary, fall far short of the desired result.

The most interesting portion of the report is that which shows that all "benefit" insurance is expensive, because of the enormous outlay required for the frequent collections and the mode in which they must be made. This method of collection is rendered absolutely necessary because of the ignorance of the class of people involved. It is shown that this insurance is doing a tremendous service for the laboring man, and that it is the most economical, considering the intelligence and will power of the persons concerned.

Of this conclusion I think one may fairly say it is a capital illustration of how the ideal system of the old economy fails to meet modern needs. We have to do here with a class of people of whom it is perfectly unreasonable to suppose that they will either seek or find the cheapest insurance possible.

In "The State and Pensions in Old Age," Mr. Spender gives us a very clear statement of the number and material condition of the aged poor. After considering carefully their resources, both from their own earnings and savings, and from all sources of charity, public and private, he arrives at a conclusion that must be startling to the average man. His conclusion is, that as human nature is at present, and as society and industry are organized, the laborer does not, cannot, and cannot reasonably be expected, to provide for his own support after the age of sixty-five. It is, indeed, a striking fact that, according to the best estimates and the best available statistics, about one-fourth of all persons in England above sixty-five years of age are in receipt of some charitable aid, public or private, and that many more, in all decency, should be in receipt of such aid. The author emphasizes the fact that it is poverty and not pauperism alone which he seeks to remedy. Full acknowledgment is given by Mr. Spender to all that the laborers themselves, individually and through all sorts of organizations, such as friendly societies, trade unions, building societies, etc., are doing, and also for what the State is doing through post-office savings banks and other means; but he finds that all of these are wholly inadequate. He then gives us the best description I know of in English of the schemes of State insurance in Denmark and Germany. In regard to the German system, I think his readers will agree with him that it is an experiment in Germany, and that it involves an amount of local self-government on the one hand, and of police interference on the other such as to make it absolutely unworkable in England. Largely on the same ground the author finds the various schemes proposed in France, Italy and England impossible.

The author maintains that the amount of *unavoidable* poverty in old age has never been realized, and, further, shows that the tendency

of the times, which requires quickness rather than skill, is to lower the age at which a laborer can expect to earn full wages, and consequently to increase the number of years for which support must be provided. His conclusions are that some public relief is necessary, and that no scheme based on compulsory contributions of the insured or employer could be worked in England. He naturally, therefore, advocates a universal State pension to every person above the age of sixty-five of say five shillings per week. This, he estimates, would, if rich and poor alike drew their pensions, mean an increase of national burdens for the United Kingdom of about nineteen millions sterling. This proposition certainly has the merit of simplicity and cheapness of administration, and avoids all prying into character and past record.

But what shall we say of the principle involved? It certainly is the boldest proposition yet made on the subject of pensions. No doubt the economists of Herbert Spencer's way of thinking will denounce it as "paternalism" and as "Socialism." But it is a condition and not a theory with which England is confronted. It is highly probable that, as soon as the actual poverty of the aged is brought home to the popular conscience, something will be done, and that, too, irrespective of all preconceived theories of government. The Royal Commission on the aged poor for which Mr. Spender expresses a desire has since been appointed. We may await with interest the results of that inquiry; and meantime may take comfort in the thought that, when England acts, it will be from a conservative, practical, and not from a *doctrinaire* standpoint.

JOHN H. GRAY.
Northwestern University.

The Eve of the French Revolution. By EDWARD J. LOWELL, author of "The Hessians and the other German Auxiliaries of Great Britain in the Revolutionary War." Pp. viii, 408. Boston: Houghton, Mifflin & Co., 1892.

There is a laudable tendency to-day to look more carefully at the transitional and preparatory periods of history. This is the outcome of a truer and more fruitful view of the function of historical study as to the discovery and correlation of causes and effects. It is rare enough that a scholarly work upon European history is produced in the United States. Mr. Lowell has, however, given us a judicious and careful treatment of a difficult and intricate subject. To write an account of the causes of the French Revolution is to picture a whole, complex civilization. The attempt to clear up even simple points soon leads the investigator to realize the obscurity of a period charac-

terized by its want of uniformity, and the wide divergence between the letter of the law and its actual application. One is forced to confine himself, as Mr. Lowell has done, to general statements. Any attempt to enumerate exceptions would be an endless task.

Mr. Lowell has given the English reader a general outline of the *moments* of French civilization at the outbreak of the Revolution. Another work like that of De Tocqueville, the result of twenty years' preparation, is not to be expected. The author avoids, however, the enumeration of perplexing details, which serve, as in Taine's work, to confuse rather than clarify our ideas. No attempt is made to treat the historical events during the reign of Louis XVI., a period so rich in illustrations of the prevailing abuses. For when the attempt was made to throw off the bad habits of the *Ancien régime*, it was first realized how inveterate and deep-seated these habits were. Mr. Lowell, it is to be hoped, may sometime find himself in a position to supplement the present work by a history of France for 1774–1789.

It is unfortunate that Mr. Lowell's "Index of Editions Cited," which furnishes us with a much-needed bibliography, should not have been more complete. We miss such works as Lomenie's "*Mirabeaus*," Bouchard's "*Systéme financier de l'ancien régime.*" Aubertin's "*L'ésprit publique pendant la 18ième Siècle*," and Augeard's "*Memoires.*"

J. H. R.

Complete Guide to the World's Twenty-Nine Metal Monetary Systems. By JOHN HENRY NORMAN, Member of the London Chamber of Commerce. Pp. xx, 328. New York: G. P. Putnam's Sons.

It is rather difficult at the outset to say what this work does *not* treat of. From its title one might expect a mere comparison of the actual monetary systems of different nations, with a brief history of their development. But, as the title page indicates, the author aims in addition to expound "foreign and colonial exchanges of gold, silver and inconvertible paper on the unit of weight system, with aids to the construction of the science of money." The plan of the book is defective, first, because the material is not welded together in any definite logical shape; and second, because the author has attempted to treat subjects broad enough to fill half a dozen volumes. It is a book such as might be expected from a business man, who with a clear grasp on each separate topic, has no clearly conceived notion of the dependence of the various parts. Of practical value may be cited the proposed method of calculating exchange by

comparing different money-units estimated by their weight in pure metal in one tabular system, rather than the more complex method of calculation where two different units of weight are first employed, and then compared to effect the calculation of the par. The statistical tables will prove also of practical assistance in the calculation of exchange. But beyond this there is little to be said in favor of the book. As an explanation of exchange it is not to be compared to Goschen's "Theory of the Foreign Exchanges." As regards the expression of opinion on monetary theory in general, the criticisms of Jevons, Walker and others, the frequent animadversions on bi-metallism and the theory of value, the work is comparatively worthless. Whatever service the book may render will be along the line of statistical tables in the practical problems of comparing different currencies.

W. M. D.

Princeton.

Ordinamento degli Stati Liberi fuori d'Europa. Del DOTT. FRANCESCO RACIOPPI. Manuali Hoepli, CXII–CXIII. Pp. 372. Milano: Ulrico Hoepli, 1892.

This is a manual giving, in the most concise form, an abstract of the constitution and an outline of the governmental machinery of all constitutional governments outside of Europe. The list includes the United States, together with each separate State of the Union, all the States of Central and South America, Australia, Africa, Japan, in short it is absolutely complete. A note after each title gives the area, population, population per square kilometer, capital and its population, and the number of counties or other minor divisions of the state in question. The abstracts are admirably written in clear, easy Italian, and the information given seems to be exactly what one would naturally desire on the subject. No comment is indulged in. A previous number in the same series of manuals treats of the European States in like manner, thus completing the subject. It is a matter for regret that no equally good presentation of the subject can be found in English.

H. H. P.

University of Wisconsin.

The German Bundesrath: A Study in Comparative Constitutional Law. By JAMES HARVEY ROBINSON, Ph. D. Publications of the University of Pennsylvania. Political Economy and Public Law Series. Vol. III., No. 1. Pp. 68. Philadelphia, 1891.

This monograph is in two general respects an important contribution to the literature of political science. It is a careful study of a singularly instructive example of institutional evolution; and it constitutes a scholarly and lucid examination of the character of the body which the author justly regards as legally and historically the "centre and core" of the existing federal government of Germany.

The first of the three sections into which the paper is divided deals with the history of the attempts at national union in Germany since the fall of Napoleon, and particularly with the origin of the essential elements of the Bundesrath. The point of view of the author is the persistence of the monarchical principle. With the exception of the free cities, the States which compose the Empire are monarchies, as, of course, were the members of the preceding Federations of 1815 and 1867. "According to the theory of German constitutional law, the whole power of the State is vested in the monarch. The various functions of government find their common centre in his person;" though the present conception of the sovereign's authority "no longer includes the idea of unlimited right of self-determination in the exercise of it." But parliamentary government is unknown. The government is the prince and his immediate ministers; and to it belong the initiation and, so to speak, the residuum of power. In exact contrast with the American theory, the people or their representatives occupy a "negative" position. The constitution of the Empire, like the constitutions of its predecessors, is "interpenetrated by the monarchical idea." Yet the Empire is not a monarchy. The Bundesrath and not the Emperor is invested with the attributes of sovereignty; and the Bundesrath, as a body composed of the instructed representatives of the various members of the Empire, derives its leading characteristic in historical sequence from the Plenum, or full session of the Bundestag of the Federation of 1815, through the Bundesrath of the North German Federation.

In the second section, Dr. Robinson has treated the dual nature of the Bundesrath, as seen in its relation to the individual States and in its organization as a part of the constitutional machinery of the Empire. Several interesting topics are here briefly discussed in a very instructive manner. Such is the disputed question, as to whether "the *States* or their monarchs for them," are represented in the Bundesrath; the deliberative function of that body growing out of the flexibility of its "instructions;" and the anomalous position of the chancellor, or chief administrative officer of the Empire, who, by virtue of his office, is at the same time president of the Bundesrath and leading representative in it of Prussia, its most powerful member.

The last section contains an able analysis of the functions of the Bundesrath as an organ of the central government. These are classified as legislative, administrative, and judicial. "The jurisdiction in constitutional questions is not delegated to the courts, but so far as it is provided for at all, it is exercised by the Bundesrath." This jurisdiction not only extends to disputes arising between different members of the union, on appeal of one of the parties; but it includes arbitration "when difficulties of a constitutional character arise between the different factors of the State governments."

The administrative activity of the Bundesrath is of far-reaching significance, and especially the power of "oversight" or of providing remedies for defects in the execution of the imperial laws. But most interesting to the American student is its legislative capacity. This is true not only because the Bundesrath is "pre-eminently a legislative body;" but because, at first glance, its theoretical position in this regard appears to be strangely complex. By the constitution it is given legislative power equal, at least, to that of the Reichstag or representative assembly. Bills may originate in either body, though the Bundesrath is expected to take the lead in proposing measures; and no bill can become a law without its assent. Furthermore, it may enact administrative ordinances without reference to the Reichstag. Nevertheless, it "is not an upper house in the ordinary acceptance of the term." The German System is not a bi-cameral system. In its legislative capacity, as in other respects, the analogue of the Bundesrath is the prince and his cabinet. "The Reichstag alone in the imperial constitution possesses the attributes of a representative, deliberative body." Hence it is that the *sanction* or command which converts the bill into a law binding upon the citizen, is conferred by the Bundesrath and not by the Emperor; though in practice this sanction may not appear as a separate act, but "in conjunction with and indistinguishable from the simple approval of the contents of a bill."

Throughout, Dr. Robinson has given due consideration to the literature of his subject, with special regard for the treatises of Laband, Meyer, and Schulze. His monograph will prove an excellent guide to the American student of the German constitution; and by way of contrast, it will not fail to aid him in gaining a better understanding of the constitution of his own country. Moreover, it will teach him that it is not the English race alone whose institutions are living organisms, the result of centuries of thought, struggle, and compromise.

GEORGE E. HOWARD.
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SOME WORKS ON SOCIAL QUESTIONS.

I. *Man and the State.* Pp. 558. New York: D. Appleton & Co., 1892.

II. *Co-operative Credit Associations in Certain European Countries.* By EDWARD T. PETERS, United States Government Report, Department of Agriculture. Pp. 117.

III. *Etudes sur les Questions Ouvrières.* Par CHARLES DE QUÉKER, Pp. 637. Brussels: Imprimerie des Institutions de Prévoyance, 1892.

IV. *Mon Utopie.* Par CHARLES SECRÉTAN, University of Lausanne, Pp. 302. Paris: Félix Alcan, 1892.

"Man and State" is a book containing a series of lectures delivered before the Brooklyn Ethical Association during the past year. The range of subjects covers nearly everything of interest to a voter at a national election. As might be expected, the book is not characterized by unity or even excellence. The lectures are designed to popularize science rather than to make original contributions to it. Of course in such a series some lecturers will be unscientific in striving to be popular. Mr. Horr's lecture on "The Republican Party" seems more heavily spiced with journalistic buncombe than a sober Republican would wish. Nor is it plain what Professor Mason thought he was doing for the Land Problem in his gush upon that subject. About half the lectures are admirable, particularly that of Dr. L. G. Janes on "The Problem of City Government," and that of Professor Joseph LeConte on "The Race Problem in the South." Best of all, however, is the first of the series by President E. B. Andrews, on "The Duty of Public Spirit." This subject offered great opportunity for glittering generalities and pious platitudes, possibilities which the author, with the perversity of greatness, has failed to improve. With such a lecture, the book can hardly be a bad investment. The excellent modern fashion of adding suggestions for collateral reading has been followed. After each lecture is an abstract of discussion, often interesting, but showing that even in Brooklyn there are learned men who have yet to learn that brevity is the soul of wit.

In the work on "Co-operative Credit Associations" we have a report made by Mr. Edward T. Peters to the United States Department of Agriculture upon the savings banks and other co-operative credit associations of Germany, Austria-Hungary, Italy and Russia, giving their history, constitution, intention and practical workings. Particular attention is paid to their bearing on agriculture. The work is clear, methodical and presumably accurate. Its value is obvious.

In "*Etudes sur les Questions Ouvrières,*" M. Charles de Quéker has given an admirably succint statement of the legislation of the principal nations of the world on the subject of labor, in other words a résumé of existing state intervention. Each branch of the subject is treated in a separate chapter, thus—accidents, labor contract, sanitary conditions, female and child labor, the working day, etc. Each chapter closes with a detailed examination of the relation and adaptability of this legislation to Belgium. The apparent care and comprehensiveness of this presentation makes it a valuable contribution to the literature on this subject. A long bibliography of the 232 works consulted completes the work.

"*Mon Utopie,*" by Charles Secrétan, contains a miscellaneous collection of "Social and Moral Studies," among which short articles in favor of the nationalization of land, female suffrage, religion and family rights figure prominently. The style is often very felicitous and the arguments occasionally novel, but the book hardly contains anything new. It would be hard to write a more readable book, however, on such a variety of subjects, and it will doubtless contribute to the propagation, if not to the deepening, of science. The writer is genial and scientific, a combination not universal.

H. H. P.

University of Wisconsin.

Geschichte des Socialismus und neuern Kommunismus. Von DR. OTTO WARSCHAUER, Professor der Staatswissenschaften an der Technischen Hochschule zu Darmstadt. Erste Abteilung: Saint Simon und der Saint-Simonismus. Pp. x, 106. Leipzig; Gustav Foch, 1892.

This monograph is the first of a series on socialism and communism. The purpose of the series, the author tells us, is to give, as briefly as a clear presentation of the subject will permit, an explanation of the purposes, theories, and system of the socialists and modern communists. The work will not treat of writers now living, and will, moreover, consider only those who have exerted a decided influence on the development of socialism and communism, who have advocated revolutionary social theories, and may be regarded as intellectual founders of a systematic agitation. And the lives and literary activity of even these will be considered only in so far as they have to do with the subject in hand. The author expects to finish his history in ten or twelve parts.

The topics treated in the first part are Saint Simon, his system, and his two most prominent disciples, Bazard and Enfantin. An account of the life, work, and system, of Saint Simon is given first, and followed by a few pages of criticism. The ground of criticism is the

size of the work when completed will be about 1900 pages. As the title dictionary indicates, the scope of the work is different from that of cyclopædia. It is on a much smaller scale than the *Handwörterbuch* which is being published in Germany, but the compendious size is, of course, convenient, and in many respects an advantage. The need, at any rate, of having some such work accessible in English is imperative, a result not merely of differences in language, but of those in law, custom and national standpoint as well. Take, for instance, in the work before us such words as *Bland Act, Bubble Act, Black Death* or such business or legal terms as *Choses in Action, Caution, Breach of Trust, Betterment, Brands,* and we see that it includes topics which would hardly be found in any foreign dictionary. But a work of this size will probably be more useful to the student for its explanation of terms and names which are infrequently used or referred to than for its brief articles on subjects of such economic importance as "Capital," or the "Mercantile System." For the adequate discussion of such topics, a work on the scale of the *Handwörterbuch* is required, and we cherish the hope, therefore, that this dictionary may ere long be followed—it need not be displaced—by a comprehensive English encyclopedia of political economy. In the list of contributors to the work now being edited we find the names of Professors Dunbar, Taussig, Seligman, Mayo-Smith, Ely and other American economists. Professor Dunbar has contributed the article on "Carey," Professor Dewey that on "Clay," while Professor Richmond Smith gives an account of the "Census in the United States." Of course, the majority of the contributors are Englishmen. The list contains the familiar names, among others, of Ashley, Bastable, Giffen, Ingram, Keynes, Thorold Rogers, Sidgwick. The brief but admirable account of the different conceptions of "Capital," is by Mr. E. Cannon, who also contributes the article on "Communism." In the discussion of "Bimetallism" the editor, Mr. Palgrave, writes from the standpoint of the mono-metallists, quoting freely from Jevons, and hardly giving any exposition whatever of the bi-metallic theory. Mr. A. K. Connell contributes an interesting article on the "City." Among the other articles in parts 1, 2 and 3 may be mentioned those on "British Commerce," by Professor Bastable; on the "Clearing System," by R. W. Barnett, and on the "Commercial or Mercantile System," by Professor Nicholson. In part four the various phases and forms of "Co-operation" are discussed by several different contributors. The article on "Commercial and Financial Crises" is unsigned, and the credit of it must therefore be given to the editor, Mr. Palgrave. It is followed by an account of the "Crises of 1857, 1866 and 1890," by Mr. W.

Fowler. The article on "Death Duties" is by Mr. T. H. Elliott, and that on the "Death Rate" by Professor Edgeworth. Professor Thorold Rogers contributes articles on the "Corn Laws" and "Corn Rents;" Dr. J. K. Ingram an article on "Corporation of Arts and Trades or Guilds;" Professor Nicholson discusses "Consumption, Cost of Production and Credit."

J. A. HILL.

University of Pennsylvania.

NOTES.

THE problem of the unemployed of London was investigated last December by a committee which held its meetings in Toynbee Hall. The report of the committee, published in *The Toynbee Record* of January, is signed by seventeen prominent persons, among whom are J. Williams Benn and Sydney Buxton, members of Parliament; George Shipton, of the London Trades' Council; and W. Steadman, F. N. Charrington and Sidney Webb, members of the London County Council. The committee found "the number of men without employment about the docks and ports of the riverside east and south-east of the city" a good deal larger than usual at that time of the year; and this, too, in spite of the fact that the average amount of work paid for by the Joint Committee of the Dock Companies was no less in 1892 than in 1891. This apparent paradox is explained by the fact that the proportion of men in permanent employment has increased, and the fluctuations in the number employed from day to day has diminished. This is the result of a better organization of labor, and promises to put an end to the casual character of dock labor. This is, of course, much to be wished, but the immediate effect of the change is to work great hardship by depriving whole classes of their means of subsistence. The committee believes "the temporary provision of work by local authorities affords no solution of the real problem, and by attracting laborers to the distressed districts may even intensify the evil." The local authorities ought to furnish work, as far as possible; but the employment given should be made test work by means of which the industrious and worthy workmen may be separated out from the "demoralized residuum," in order that they may be helped to permanent employment. The recommendations of the committee for securing this end, and for turning private charity into beneficial channels, indicate the true method of dealing with the unemployed. Local authorities, the Government and the County Council, in supplying work, are recommended to adopt the rules that (1) "any work given should be regarded not only as a relief, but also as a test of fitness for further help"; (2) that employment be restricted to settled inhabitants of the particular district, who have been resident somewhere in the metropolis for at least a year; and (3) that a register be kept containing the address of the applicant's previous employer, the previous occupations of those applying for work, and a report on the conduct of those employed while at work. The committee

further advises that a small voluntary committee, composed of representatives of such bodies as the London County Council, the London Trades' Council, the Charity Organization Society, the London Chamber of Commerce, the Federation of Riverside and Transit Trades, be formed to "collect and classify the statistics obtained by the local authorities, ascertain, by appropriate inquiries, which of the unemployed need to be more permanently assisted, and how this can best be done, and administer whatever funds may be subscribed by the public." The committee condemns the indiscriminate giving of money, meals or lodgings, because such charities inflict "a cruelty upon the inhabitants of these districts and seriously aggravate the disease;" but appeals should be made by the voluntary committee for funds of private charities to supplement, if necessary, the amount to be spent in useful public works by local authorities," and "to aid such men as are manifestly fit to get new occupation in London or elsewhere."

AT THE last session of the Chautauqua Literary and Scientific Circle, the first of the Chautauqua Political Economy Clubs was organized. It is proposed to establish such clubs in communities where a sufficient number can be enlisted to form a working organization, the object of them being to awaken a wider interest in the study of economic and social questions. The director of the movement, Dr. Richard T. Ely, will aid the clubs in organizing, and will assist them in making the debates and discussions of their sessions profitable by sending them subjects for debate and discussion and by offering hints and suggestions how best to treat the recent economic events. Should the plan meet with sufficient success, a Political Economy Club Day will be held each summer at Chautauqua.

ON THE fifteenth of November the organization of the Historical and Political Sicence Association of the University of Wisconsin was perfected in Madison. Dr. Richard T. Ely is at the head of the Association, and wishes by means of it to create a close relationship between the graduate departments of the university and the practical outside world.

THE *Arena* is publishing a series of articles by Mrs. Helen Campbell on "Women Wage-Earners of America and Europe." The article in the January number gives a brief account of early conditions of factory life and of the improvements that have been made in it. The February article gives a brief account of the increase and condition of women wage-earners. Mrs. Campbell gives figures showing

their number and their kinds of work at different times, and analyzes the work of the Labor Bureau investigations into the subject. The series promises to be valuable to the student of the labor problem.

HOLLAND has given a more enduring and satisfactory organization to its official statistics. Hitherto a private association, the institute of Statistics, under the able guidance of the late Professor Benajon, and latterly of Dr. Verrijn Stuart, has been charged with collection and publication of the Dutch statistics. This organization gave place on January 1, 1893, to a Central Commission for Statistics, organized under a decree of October 6, 1892. Baron W. A. Van Verschuer is the president of the Commission and Dr. Verrijn Stuart, the secretary. The Commission will continue the publication of the Year Book, but the "*Bijdragen*" will cease to exist, but the programme leads us to hope for more extended publications in lieu of the latter.

THE sixth and final number of the first series of American History Leaflets, edited by Professors Hart and Channing, of Harvard, is devoted to "Extracts from official papers relating to the Behring Sea controversy 1890–92." The following topics are chosen for the second series:—

(1) Articles and Ordinances of the Confederation of New England, 1643–1684. (2) Exact Text of the Constitution of the United States. (3) Papers relating to the Voyages of John Cabot, 1497–98. (4) Gov. McDuffie's Message on the Slavery Question, 1835. (5) Jefferson's Proposed Instructions to the Virginia Delegation, 1774. (6) Ordinances and other papers relating to Secession, 1860–61. It is to be hoped that this is only the beginning of a movement to render the sources of our history more accessible.

IT is an encouraging indication of growing interest in Political Science that the Clarendon Press has found it necessary to issue a second edition of Bluntschli's "Theory of the State."* The translators, Messrs. Ritchie, Matheson and Lodge, of Oxford, have made a few corrections and added a few references, but the book is in the main a reprint of the first edition.

* "THE THEORY OF THE STATE," by J. K. BLUNTSCHLI, authorized English translation from the sixth German edition. Second edition, pp. xxv., 550. Oxford at the Clarendon Press. 1892.

MAY, *1893.*

ANNALS

OF THE

AMERICAN ACADEMY

OF

POLITICAL AND SOCIAL SCIENCE.

THE RELATION OF THE STATE TO EDUCATION IN ENGLAND AND AMERICA.

Historians may differ as to whether our American institutions sprang from England or Holland. They may agree to divide the honors and may possibly be willing ultimately to accord to America some originating power of her own. The question of the cause of the divergence in the institutions of the two great Anglo-Saxon nations is an interesting one, and probably no phase of it is more interesting than that which deals with educational systems.

A great factor in the divergence has undoubtedly been the fact that English systems have been built up by the slow accretions of ages, every proposed addition being required to show proof, not only of its inherent usefulness, but also of adaptability to the other parts of the edifice already erected; while here to a much greater extent the ground has been cleared and we have been able to consult utility in determining our structure. Then again, we have been willing to learn from foreigners. The cosmopolitan character of our population is but an index of a cosmopolitan character in our institutions. Holland, Germany, Scandinavia, as well

as England, have been probed by minds open to receive and adopt any suggestions, and these have been woven often unconsciously into our systems. England, with a more homogeneous population and great belief in her own ability to solve all her own problems without assistance, has made a slower but perhaps more characteristically national growth.

Furthermore, over all *our* development has continually hovered the great democratic idea, directing the way to institutions in which it may find a fitting permanent abode. The people ultimately will secure a system giving equal chances, for the people are supreme. The mother country boasts of her equal and in some cases greater political liberty, but it is useless it seems to me to deny that in essential democracy, a democracy which gives a chance for every talent to be fully developed, she is still behind us, though in the past twenty years she has probably gained on us in the race. She still says of democratic ideas what the student in theology gave as an answer to the question as to the church's doctrine on the subject of good works: "A few of them will do no harm;" while we have embraced these ideas readily and fully and are continually modifying all our institutions, social, political and religious, in their direction.

It is not, however, the purpose of this paper to trace the causes, but some of the facts of divergences in the systems of State education in the two countries, and the subjects of contrast which will be treated of are four.

1. The guarantees which the State receives that its money is properly expended by the schools.

2. The provision which it makes for education from the age of fourteen to the age of nineteen.

3. The enforcement of education on unwilling parents and children.

4. The attitude towards religious and Biblical teaching.

1. The English follow up their appropriation with most detailed care. It is not given into local hands to make what they can of it. The system is popularly called "payment

by results," and this expresses the general idea supposed to govern the method. Every shilling given is supposed to be given for a result already obtained. "Have you taught a boy to read and write and cipher?" the government says to a school. "We will not take your word for it, we will ascertain for ourselves, and if so, we will pay you for it." "Is your school in a fair state of discipline and organization? If our inspection satisfies us on this point we will give you a shilling per child. If it is very good we will give you 1 *s.* 6 *d.*" "Will your children fairly pass our examination in geography? we will give you a shilling a piece; will they do it very well indeed? we will give you two shillings a piece; will they not pass? we will not give you anything," and so on through the list. The epigram of Robert Lowe is supposed to sum up its merits. "If the system is costly it shall be efficient; if inefficient it shall be cheap."

If inspectors were omniscient and infallible, accurately gauging all the good results a school produces, hampered by no instructions and swayed by no prejudices, there could probably be no better system devised than this. It would secure the very greatest good from every penny appropriated.

About $7,000,000 are paid out by the general government on the basis of this arrangement in aid of education, and this covers about twenty-seven per cent of the total cost of maintaining the schools.

Any denominational or private school, if it fulfills certain general conditions as to religious instruction, quality of teaching, and charges to parents, can be a recipient of this grant.

With regard to the whole system of inspection and "payment by results," a strong controversy has been, and still is raging in England. For it, it is urged that it is necessary for the government to have assurance that the purposes, for which so much public money is voted, are secured; and

the fact that so many of the schools are in private hands makes this all the more important. It is also said to be a guarantee against the tendency, which seems to be especially strong in English schools, particularly those most closely connected with the universities, to give too much attention to a few bright scholars, at the expense of the duller ones; for evidently such a course would not satisfy inspectors and win grants. Its friends also claim that it is the cause, to a large extent, of the increase in salaries of teachers, and affords a certain means of informing managers as to the relative value of the different teachers, and thus enables them to graduate salaries in proportion to pedagogic or grant-winning abilities. It is certain that salaries have steadily risen under the operation of the system, that teachers hold a higher place in the estimation of the community, and that the best of them have a very handsome remuneration for their services. There is not the level of uniform compensation for teachers of a certain grade, which prevails in most other countries, but the system often makes it economical to secure and retain good teachers, even at an advance over others who are doing, in an inferior manner, the same work. The average salary of men teachers in the public Elementary Schools in England is about $600, and of women, $375, while in Pennsylvania it is about $325 for men, and $250 for women, and the expenses of living are greater.

On the other hand, the "cramming" which the system produces is violently protested against. To meet the demands, real or supposed, of the inspector, education is sacrificed to the process of forcing into the scholars, available and grant compelling knowledge. Facts in geography, for instance, count for more than real brain power in a test by an external examiner. The teacher is hampered in the adoption of methods which seem to him best, by the fear that they will not produce the kind of results which the government inquires for, and the scholars are filled with a

sort of knowledge which disappears as rapidly as it was gained. One hears many complaints that the children who leave school at twelve or fourteen often lose almost all their school acquisitions in a few years. This danger is fully recognized by the department, and inspectors are strongly urged not to lay too much stress on mere knowledge.

Another criticism of the system may be given in the words of R. H. Quick:

"Suppose that on leaving school we wished to forecast a lad's future. What shall we try to find out about him? No doubt we shall ask what he knew; but this would not be by any means the main thing. His skill would interest us, and so would the state of his health. But what we would ask, first and foremost, is this—Whom does he love? Whom does he admire and imitate? What does he care about? What interests him? It is only when the answers to these questions are satisfactory that we can think hopefully of his future; and it is only in so far as the school course has tended to make the answers satisfactory that it deserves our approval. Schools such as Pestalozzi designed would have thus deserved our approval; but we cannot say this of the schools into which the children of the English poor are now driven. In these schools the heart and the affections are not thought of, the powers of neither mind nor body are developed by exercise, and the children do not acquire any interests that will raise or elevate them."

These questions of the development of high ambitions, of character, of good habits, and of physique cannot be too strongly urged on the attention of elementary schools. Together they are more important than any intellectual attainments. They stand the wear and tear of life better, and do more to assist their possessor to prominence and success. If the system does not allow their encouragement, it is a severe indictment against it. It is undoubtedly true that they do not count for very much in obtaining grants. It is also true that success in them is often very difficult to estimate.

Probably the department is doing all that it can to secure them. A grant for "discipline and organization" of 1*s.* or 1*s.* 6*d.* may be made, and inspectors are instructed that they "will have special regard to the moral training and conduct of the children, to the neatness and order of the school premises and furniture, and to the proper classification of the scholars." They are also to be satisfied "that all reasonable care is taken in the ordinary management of the school, to bring up the children in habits of punctuality, of good manners and language, of cleanliness and neatness, and also to impress on the children the importance of cheerful obedience to duty, of consideration and respect for others, and of honor and truthfulness in word and act."

This is excellent; and if under the system good teachers are allowed to get these results, even if to do it certain studies are neglected, there would be but little left to desire.

These arguments do not seem to have undermined the belief of most Englishmen connected with education that "payment by results" is advantageous, or at least necessary for the present.

They have probably produced serious modifications, which have tended towards the idea that it is the work of inspectors to see that school officers do their duty, rather than test very minutely the advancement of the individual scholar in special subjects. These modifications satisfy many of the objectors; and though the clamor does not lack energy and volume, it is more likely to produce further modification than to cause the abolishment of a system which is unquestionably effective in toning up many schools that would otherwise be bad, and which satisfies the Englishman's idea of fairness, and of the propriety of equivalence for public money expended.

Such is the carefully guarded English system—without loop-hole for waste, and with a continual stimulation to goodness of a certain sort.

In Pennsylvania our State Legislature appropriates $5,000,000 annually towards the schools, about one-third the total revenue, and nearly as much as the English Government. What security does it have against squandering? None, except what it imposes on the school districts in connection with the money they raise for themselves.

There are general laws governing the sort of schools the State will recognize. The teacher must be examined and certificated by the County Superintendent. The schools must be kept open at least 120 days in the year; every person between the ages of six and twenty-one must have the privilege of attending them; and orthography, reading, writing, English grammar, geography, arithmetic, physiology and hygiene, must be taught by a teacher whom the Superintendent pronounces efficient and the local directors appoint.

All of this has to be certified to by the County Commissioners for each district as a condition of receiving any money from the State. This report being received by the State Superintendent he must pay the money in proportion to the number of *resident taxables* in the district. The State cannot go back of the local returns. There is no question of quality of instruction. "Results" have nothing to do with it. The grant creates comparatively little stimulation. It is largely a device to relieve local taxation. The Constitution directs that at least $1,000,000 shall be given, and undoubtedly this was originally for the purpose of imposing conditions on backward communities as to quality of teachers, length of school year and subjects to be taught. But the State is rich and the districts are poor, and public opinion demanded an increase of State aid, so the appropriation rose finally to $5,000,000, with but little change in legislation. Of course the increase gives still greater power to enforce State provisions. No district can well afford to throw away lightly so large an increment of revenue, coming to it as a gift and adding no additional responsibility. But it is

doubtful whether, despite the well-meant efforts of County Superintendent and school officers, sufficient betterment of the schools has resulted from the increase. It was done to relieve local taxation, and it has done this. The other effect, to add to gross revenues and consequent efficiency of the schools, is a matter of doubt, except in a few districts already alert.

The county which fulfills the minimum requirements of the law, keeps its schools open for six months of twenty days each; employs the cheapest talent the County Superintendent will pass, and teaches however lamely the prescribed studies, knows it will receive its share of the funds just as if it paid double salaries, had ten months of school year and made its schools first rate, and hence feels no great pressure to improve.

In the English system a State officer, absolutely independent of the locality, follows up the appropriation and on the basis of his report it is granted. In America, for while the local idea is very strong in Pennsylvania, it may in this respect be taken as a typical State, all is left to the locality. The easily fulfilled general conditions are compatible with very poor schools. County superintendents elected by the directors, and seeking election every three years, are not always very rigid in examining teachers. They cannot be, for the directors fix the salary and these will not draw in all parts the best material, and yet in a sense the law is complied with, and the commissioners elected by the same constituency certify this to the State officer, who has no option but to pay the money.

The English system applied to Pennsylvania would first destroy an immense number of weakly schools, and then it would build up in their places schools of better sort and would work up the tone of unwilling and lethargic communities.

And yet I would not wish its adoption. The strength derived from local independence is a factor we cannot ignore.

The continual burden of working up to the requirements of an external examiner is such a fetter on a good teacher that one would not want it. If our worst schools are worse than the English, I believe our best schools are better, for in many places a teacher is asked for no results except her general tone and impression on the school, and this is as it should be.

But we are throwing away a chance to build up the school systems in weak districts, and it seems to me that some constructive legislation is needed to secure the benefits of payments by results without its evils.

I am not competent, nor is this the place to enter into details, but as a basis of this system I think we should have, appointed and paid by the State, a number of officers whose business should be, each in a well-defined district, to report in a perfectly general way as to the efficiency of the schools and their fitness to receive aid. They should be paid by the State, so as to make them independent of local influence, and they should have power, not in the least to interfere with local effort, but solely to report on its success; not on each study, not on each school, but on the district. They should take into account possible and not ideal results. They should say to directors, you must make better schools, or you shall not have State money, or not as much State money. They would in time, if properly selected and disciplined, become influential in shaping policy and methods, but this would only be an indirect effect of their employment. Their main duty would be to secure the necessary guarantees that the large sum of $5,000,000 annually given by the State is properly expended. By some such device as this you might secure all the advantages of English "payment by results," with no derogation to local enterprise and a continual uplift of the average standard of the schools.

Instead of saying, we will give you a quarter for every child taught geography, and then taking possession of the school to ascertain the facts and deducing the appropriation

by this arithmetical process, our inspector would report: "In such a district the school is not giving as good intellectual and moral results as one has a right to expect. I would recommend a reduction of its appropriation, until it shows itself competent to use it better." The district might find it actually cheaper to keep up a good school than a poor one. If a good teacher, costing a few dollars a month more, could receive from the State treble the increase of her salary, American shrewdness would dictate her employment, and after all the great secret of a good school is to place a good teacher in contact with children and fetter her by no restraints. The appropriation is now large enough to make its reception worth an effort.

2. Another point of contrast in the two countries is their attitude to secondary education. There are no State-aided secondary schools in England. A large number of schools, many of them since the reorganization of 1868 excellent schools, most of them dating their origin to the time of the Reformation, give the English boys of means a good education preparatory to business, technical schools or the universities. They have a noble history, excellent traditions, an efficient teaching staff, and are the most interesting features, because the most distinctively English, of the whole English set of educational institutions. But being old foundations, they are not distributed in accordance with the population. Many populous new towns have none, while in other quarters there is a redundancy. It was the noble dream of the reformers to place a grammar school for rich and poor in every parish, and have every one point to the universities, so that the poor boy, by scholarships in the universities which they often provided, should find his way clear to the Bachelor's Degree. Had their successors possessed their spirit the dream would have been a reality. But the rich have monopolized the schools, and even the university scholarships, and a poor boy, except in rare instances, cannot rise above the elementary schools. Even the middle classes,

which profit most by a secondary education, are excluded, except they happen to reside near one of these old endowed schools. For these schools the State does nothing. They do not wish anything from the State, and will not willingly accept any favors coupled with conditions. They have their endowments and their constituency. They do a good work in limited lines, and they are not anxious to give up their independence and become a part of any system involving government examiners, conscience clauses and certificated teachers. Hence they do nearly nothing, except in a few localities, to supply secondary education to the great middle classes of English boys. They are for the rich. But England is on the eve of a great reorganization of its secondary system. A recent private letter from a gentleman who will have a hand in shaping the movement says: "We are just starting on a very difficult voyage over here—the organization of secondary education, and there will be fierce fighting over it. I believe in the State supplying what has been left unsupplied, and requiring some very general conditions to be satisfied by what is in existence. Others would have everything under the direction of the State—them I shall fight to the death. The storm will break in about four months—a new government may delay it for a year—but storm there will be." And the Vice-President of the Council on Education, the practical head of the department, has said within a few weeks: "I find throughout the country a rising flood of public opinion in favor of some further development of secondary education, and a growing conviction of the need for lessening the chaos which lies between the now completely organized system of elementary education and the universities." The gaps of the system will be filled up by State-established schools. Those already existing will be co-ordinated without too much curtailment of their liberties, and we will see a system arise, wrought out in the, if tardy, yet thorough and effective, English manner. England is no longer ruled by the rich, and the sentiment that

they alone should be educated is passing away before the growth of a great Democratic wave, which, now represented in Parliament and Councils, is granting to all classes the chances to the best the country can afford.

There are but a score or two of men in both the historic universities who have ever been in a State-aided school. Ninety-nine per cent of all their students come from the fifteen per cent of the people who are called the upper classes. The prospects before an ambitious poor boy, except in rare instances, are cheerless in the extreme. The life of labor of the father is to be reproduced in the son, with only the advantage given by an improved elementary education of which the father probably has none at all.

America has been wiser or more fortunate. Our public school system has embraced the high school—an institution often with grave faults, but supplying a good opportunity, more often of the modern sort, to almost all boys and girls who ought to have it, and who will value it. It is the stepping stone between the elementary school and the University, in many States practically the only one which exists. Any one who can be supported to the age of seventeen or eighteen can go to college and any one can satisfy those aspirations which often are aroused later in life by a book, a lecture, a newspaper article, or a conversation. Every American college knows the young man of perhaps twenty-three or twenty-four, with a hiatus of years in his educational life, of a very slender patrimony, and shallow financial resources, but somehow suddenly aroused to a burning desire for a college degree and the learning which it implies. Such a late awakening would in England be absolutely futile. If it ever occurred it would be dismissed as an impossible dream. Such a person might almost as well aspire to be ruler of the United Kingdom. But here it is very possible of realization. He finds a free high school in the nearest town. From there he readily passes to a college or university, in many States, practically free

and supported by State funds; in others, with a number of scholarships reserved for the poor and deserving, so arranged that they can be readily applied for without loss of independence, while the vacation affords the chances to replenish his resources for personal expenditure.

It is the free secondary school which makes this possible, which gives to every boy and girl a chance for the best in the way of education that the country can offer. How weak then is the cry of demagogues, and of some who are not demagogues, that the public purse should supply only the education of the masses, the three "R's," and that all beyond this savors of aristocracy. It would be unfortunate indeed, if, just as England is emerging from its blindness and traditionary ideas into the light of which Matthew Arnold was the apostle, and though he knew it not, the prophet, we should allow any one to convince us that the people's money should go to elementary schools alone, thus hopelessly condemning to ignorance and inferiority many lives which were meant for something better.

Where a whole community patronizes the public school system and representatives from all sorts of people sit side by side in primary, grammar and high school, which is the case in New England and the Northwest, there is not much danger of any attack on State-aided public education in any of its parts being successful. It is to be hoped there is not anywhere, but the great strength of endowed, denominational and private schools in Philadelphia is creating a large class who have no direct interest in the free high school. Such schools in sufficient numbers are an excellent and useful stimulus to a public school system, competing with it for its brightest children, but if they become too popular they tend to make class distinctions and lessen that concern of all for the educational advancement of all which is the life of a democracy. An improvement and extension of our facilities for free secondary education in our large cities seem to me to be a great need. So far from this being open to the

charge of taking public money for the support of the few, it seems to be the very essence of the democratic idea. Every child does not need a secondary education, but every child needs to have the opportunity, if his intellectual and moral resources render it desirable for him.

3. Another point of contrast is in the matter of compulsory attendance. It was not till 1880 that this was made binding on all school boards of England. The requirements are now about as follows:

All English children are compelled to attend school after the age of five years, until they have passed the standard fixed by the local laws. This varies in different parts, but is usually the fifth or sixth standard; when the child is on an average twelve or thirteen years old. If, however, the child is a bright one and can pass his standard at the age of eleven, he may be withdrawn from the school and placed at remunerative work on half time and at school the other half, for two years. At thirteen all compulsion ceases, unless by that time the child has not passed the standard for children of ten, in which case he must attend a year longer. This regulation is enforced with considerable strictness. A parent whose child does not attend regularly, and who has no good reason for absence, is liable to a fine not exceeding five shillings. If the parents are drunken and neglect their children habitually, or if the children have fallen into criminal habits, they may be committed to an industrial school, where they are kept for a greater or less time, educated, fed and in some cases housed at night. These schools are not popular. The parents are expected to pay two shillings a week, but this from such parents is very difficult to collect, and parent and child are often willing to promise regular attendance at an ordinary school as a condition of release. Often the poor look on industrial schools as prisons, which indeed they are.

It is pretty difficult to evade these laws. The first attempt is to keep the children off the school lists, and the nomadic character of the lower classes of London, renders this

sometimes difficult to detect. Children are hidden away upon the approach of officers and their existence resolutely denied. Once on the lists the only escape is feigned illness. Many and ingenious are the artifices employed. A child found wading in a pond gave bronchitis as a reason for non-attendance at school, while head and other aches, violent under observation, but suddenly disappearing, are not infrequent. The laws are said to be very unpopular with a limited class, who cannot understand why they should be forced to educate their children against their will, and in addition (until 1891), to pay the school pence. The existence of this class is the excuse for the compulsory law, which will probably, as has been the case in Prussia, in time extinguish it.

More respectable are the objections of those who, while admitting the necessity of compulsion, complain of the sweeping character of the laws, and the strictness of their enforcement in many places. From the age of five, every child must attend twice a day, five days in the week, for forty weeks in the year. Irregular attendance, as well as truancy, renders a parent liable to fine, and school boards are invested with great powers, which they must exercise, to detect evasions of the law on the part of children or parents or employers.

This is in strong contrast with the methods in the United States. Though all our schools are free, only part of the States have any compulsory laws, and of these only a very few rigorously enforce them.

They seem to be the only safeguards we have against falling to a secondary place in educational standing. Practically, all the European States, north of the Mediterranean peninsulas and west of Russia, are satisfied as to their efficacy; and we cannot depend any longer with safety on *drawing* to our schools, even though we make instruction, books and stationery free, the whole of the child population which ought to be at school. Without the immigration of the past twenty-five years we might have done this, but that has wholly changed the conditions.

Compulsory education usually makes itself unnecessary after a few decades. If a whole generation of men and women can be educated, they do not need much pressure to induce them to send their children to school. Ignorance tends to perpetuate itself, and so does education. In a permanent population the necessity for compulsory laws ought gradually to disappear. The first step is the difficult and important one. England has taken this step, and taken it with an emphasis which admits of no doubt that she means never to go back again. We have not. We have tried the other expedient of encouragement, but evidently this is not sufficient; and, before illiteracy further gains on us, we should seriously consider whether the welfare of the State does not demand that we should follow the course which France took so tardily, and England more tardily still, but which, once taken, no country has ever repented of. Notwithstanding various sources of weakness, the Royal Commission of 1886–88, which made an exhaustive inquiry into the subject, reported that compulsion had unquestionably increased the attendance in three ways: by its direct influence on parents; by the disgrace a parent feels at being brought before a magistrate; and by the fact that the completion of a certain standard would allow the child to be placed at remunerative work.

Taking England over, the average attendance is about seventy-eight per cent of the number on the school register; but as this number includes many children under five, to whom the compulsory laws do not apply, it is probable that eighty-two per cent would more correctly represent the average attendance of children above this age. In the United States the attendance is about sixty-seven per cent of the enrollment; in Pennsylvania, seventy-three per cent, and all are not enrolled.

In 1891 there were twenty-seven States and Territories which had enacted compulsory laws, sixteen of which had passed them in the preceding five years; but most of them

appear to be in favor of the law, but against its enforcement. Thus New York reports, "We have a compulsory law on our statute books, but it is a compulsory law which does not compel." Illinois says, "It is doubtful if this law has caused an increase in the attendance upon our schools of 100 pupils," and she has since repealed it. From Maine, "I am not aware that the provisions of the act were ever anywhere enforced;" and so on through the list. Indeed, except in two or three New England States, it is doubtful if compulsory laws have produced any serious effect in the United States. In some cases this is through defects in laws, more often as the result of a failure of public opinion to support the enforcement. There is no reason in the political history of Pennsylvania to show that the experiment would result more favorably here than elsewhere, and yet we are losing ground yearly for want of such a provision. While the population has increased twenty-two per cent in the past ten years, the school attendance has only increased one and one-half per cent. New York gives similar figures.

This is not reassuring. Europe has tried the experiment and it has succeeded, becoming each year more popular and easy of enforcement. We know the remedy, we can probably in time secure the law, but we care so little for laws which no one is personally interested in administering that whether passed or not we have no great hopes that it will cure the evil. That we need compulsory education is a matter about which there ought to be little doubt in the minds of those who have studied the history of the movement. Whether any law would give it to us and turn the tide of illiteracy is a doubtful question. It is a condition of affairs demanding the earnest thought of all citizens. It will hardly do to acknowledge ourselves beaten by the problem. There are facts enough attainable to show what is necessary in the way of a law, and we ought ultimately to make it efficient.

4. It is difficult to say anything new on the religious question. And yet one cannot well omit it, for on no point is the divergence of the two nations more apparent.

England approached the subject of popular education with societies representing religious bodies, or formed with reference to religious questions already partly in possession of the field. They could not be ignored, and the completed system had to be dove-tailed around their creations which occupied, but did not cover the ground. Hence, they were left in possession, taken into the system, received State grants and were allowed to propagate their religious views undisturbed. They were more than embraced, they were protected from competition whenever they offered sufficient educational privileges to equip a district. Otherwise they were supplemented. But in return for this financial aid and protection they were to arrange their time of religious instruction so as to place it at the beginning or end of the school day, and every dissenting parent was to be at liberty to remove his child without prejudice to his other work, during those minutes. Moreover, the State was not to examine or give any grant for the religious instruction. In this way Catholic schools, Methodist schools, Church of England schools, and schools managed by the British and Foreign School Society, whose motto was religious, but undenominational education, all came within the public school system, and all pursued unmolested their peculiar methods of religious instruction.

To fill up the gaps of the system a set of schools called Board Schools, managed by boards elected by the district and partially sustained by local taxes, was created. To one of these two classes of schools English boys or girls, between five and eleven (in some cases fourteen), are required to go.

Even in the Board Schools religious instruction may have a prominent place. It depends entirely on the locality. Of the 2255 school boards in England and Wales in 1886, about three-fourths had adopted more or less elaborate schemes of

what they called religious but undenominational instruction. In all cases the Bible was the basis of this work. Three hundred and ninety-four others read the Bible without comment, and only ninety-one omitted the subject altogether.

The scheme of the London Board is a seven years' course of Bible history and religious teaching, occupying a half hour per day. To illustrate this, one year's requirements taken at random will be given:

"Memory work: John xiv. 15–31; Ephesians vi. 1–18; lessons from Samuel and Kings, with special reference to the lives of Samuel, Saul, David and Solomon; the life of Christ from third Passover to end of Gospels; Acts of the Apostles, first two chapters."

Such a course as this continued all the years of a child's education will undoubtedly give a Christian bias to his mind. It is undenominational only in so far as it fails to draw any distinction between Christian sects, but it pays no regard to any unchristian beliefs. The holders of such are, however, protected by the liberty, a liberty in fact not frequently exercised, to withhold their children from this course while securing all the other benefits of the school.

England seems to be wedded to religious instruction, requires it in her public elementary schools by the wishes of the great majority of her people, and by perhaps an equal majority desires or is willing that this should be on a Christian basis.

In Pennsylvania, in seven-eighths of the public schools, the Bible is read by the teacher without comment, and this usually constitutes the sum of the religious instruction given. In many States this is omitted and the tendencies are more and more to bring our schools to the condition of the French, where every form of religious instruction is jealously excluded. The logic of our position, which implies the absolute separation of church and State, is rapidly driving us to this place. We must apply the same principles to Catholics, Jews, and unbelievers we do to Protestant sects, if in any locality they demand it. We cannot consistently

with our general theory, levy taxes to force teaching down children's throats against which their consciences protest, and while I believe it is a good thing to give even the weak ideas of religion usually gained by an unexplained reading of the New Testament and would hold on to it as long as I could, I should give it up in the face of any serious and respectable protest if we are to maintain our present theory of public schools.

And yet this is to my mind not a satisfactory result to come to. The American nation needs more rather than less religious instruction. The formal reading of the Bible is often a lifeless form. The children do not know the subject read about. One word of explanation is often worth the whole chapter read. The home, the church, and the Sunday School combined do not give nearly sufficient to many children, none at all to many others, and if we are to rule it out of the schools absolutely, we will also largely rule it out of the life of the nation. Also while natural ethics may be taught and be effective, it is not so pointedly taught as when reinforced by the religious sanction. Hence I do not believe that the absolute secularization of the schools can be permanently satisfactory except in so far as the nation lowers its standards, and I would be glad to find some compromise, if you will call it so, by which the great majority of the people, of any school district, could have a definite positive teaching of such a general sort as they might approve, not sectarian, with such an arrangement of hours as not to force the attendance of the minority of conscientious opposers. Even unbelievers are often glad or at least willing to have definite religious and moral ideas taught their children, and it hardly seems to me worth while for the great mass of the people, especially those of Anglo-Saxon descent inheriting the religious tendencies of the race, to witness their own growth in religious indifference, for the sake of a theory, if an equally satisfactory result for the rest of the nation can be secured by another arrangement.

If in a district of 100 families, ninety-five desire and would be greatly profited by the infusion of general religious truth, and cannot get it except through the schools, why not excuse the five from attendance and give it.

That the English educational system, in general, has certain advantages over ours, it would, it seems to me, be useless to deny, and we would not be true Americans if we did not recognize and copy good wherever we can find it, and yet, on the whole, we have a decided superiority, which the contrast we have been over, not at all complete, would not reveal.

Our system has a tremendous and overflowing vitality, which promises more for the future than the well-fitted machinery of England. Did you ever live in a country town during the week of a teachers' institute? It is a greater attraction than the new railroad or the circus. The air is saturated with educational questions. The teachers, often of the same social grade as the best of the residents, are received into the homes and made the central features of the excitement. The American free school is discussed, extravagantly, perhaps, in certain features, but on the whole, intelligently. Better still, have you ever been to a State or National Educational Convention? The discussions do not impress one as being in the least shallow or vaguely general. They seem to be the deliverances of men of thought and training and experience, who talk of questions of which they know, anxious for results, willing to face every problem as it arises, and absorbingly interested in the subject. They are stirred up themselves and they manage to communicate to others. They go to their localities, each one an enthusiastic agent of the cause of education.

Thus our country is permeated with educational life. England does not know so much of it. Her teachers do not read professional literature as ours do. They do not meet in conventions as ours do. They do not communicate popular enthusiasm for education as ours do. They are often more

highly trained, but frequently inferior in social grade and fineness of instincts. It is this pervasive and contagious individual ambition for education and intense belief in it among all classes of native Americans, inducing a jealous guard over the interests of our schools as fundamental to our whole national structure, which is to me the most striking contrast with the educational condition of our brethren across the Atlantic.

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OUR FAILURES IN MUNICIPAL GOVERNMENT.

One of the most hopeful signs with regard to that immensely important problem, the government of cities in this country, appears in the disposition to discuss the subject on a scientific basis. When any machinery goes wrong, whether in the body politic or in an electric motor, the first step to improvement is to find out *why* it goes wrong, and where the defect lies. A most important contribution to this end is the article of Mr. Joseph Chamberlain in the November *Forum*. The purport of that article may be summed up in one sentence,

"that the Americans pay for less efficient service in their large towns nearly five times as much as is paid in the case of a well-managed English municipality,"

and this proposition is illustrated by a comparison in detail of the expenditure of Birmingham and Boston. The causes of this difference must be sought either in the character of the voters or in the organization of the government. When Mr. Chamberlain observes that all the executive agents of administration are chosen for competency, and retained practically for life or good behavior, he merely gives a result of one or the other of the two causes mentioned.

As Mr. Chamberlain says, "We may at once dismiss the idea that the difference is to be attributed to a more liberal franchise." He states the population of Birmingham in 1891 as 430,000, and that of Boston in 1890 as 450,000. He gives the voters in Birmingham in 1891 as 88,000, those of Boston in 1890 being 73,000. The registration of Boston in 1892 has reached 87,000. Mr. Chamberlain then adds "The suffrage is as widely extended in Birmingham as in Boston, and the small rate payers are in an immense majority, and

can practically do as they like.'' He points out, moreover, that in English municipalities, no property qualification is required for members of council. Possibly the requirement of a fixed lodging on the part of the voter, even at so low a rental as $50 a year, may offer an advantage over the somewhat loose methods of registration in this country, but this last is perhaps chargeable to defective organization. Any such advantage, however, ought to be more than offset by the Massachusetts requirement of ability to read and write, if it is properly enforced, and if it is not, there is again a fault of administration. Probably no American, who has had opportunities of comparison, will reject the assumption that the average of character and intelligence of the population of Boston is quite as high as in that of Birmingham.

If the advantage of Birmingham does not lie with the people, how is it in the matter of organization? According to the charter of 1838 the government of that city was vested in a mayor, sixteen aldermen, and forty-seven councillors. Their powers were at first greatly restricted, but under the acts of 1851 and 1862, all governing authorities except the Town Council were abolished, and the whole government of the city was placed in the hands of that body.*

The aldermen, according to Mr. Chamberlain, who constitute one-third of the council, are elected by the remaining members. They sit and vote with the rest of the council and have no other privileges than that of being elected for six, instead of three years, and of escaping the cost and labor of a popular election. The ordinary councillors retire every three years, one-third going out each year. The council has the power of electing aldermen from the general body of citizens, but this right is very seldom exercised, (the euphemism sounds very amusing to an American) and they generally choose members from their own ranks, past or present. The mayor is elected for one year by the council, and not by the popular vote, but may be re-elected for any

* Encyclopædia Britannica, Art., Birmingham.

number of similar terms. "The office confers no statutory privileges except that of presiding over the deliberations of the council: but as the mayor can attend all the meetings of the committees, he may readily secure, if he is a man of energy and capacity, the confidence and support of the council and thus exercise a very important influence on its decisions and policy." Mr. Chamberlain evidently does not understand the American word "lobbying" which would be applied in this country to that form of influence by the mayor. "In the selection of candidates for the council, the practice of different localities varies greatly. In some it is conducted as a matter wholly apart from party politics; but in the majority, party considerations have a preponderating weight in determining the choice." In other words, they are chosen as Liberals and Conservatives just as they are here as Republicans and Democrats. But Mr. Chamberlain adds what is by no means true of the United States. "Whatever may be thought of the arguments for and against, it is certain that the efficiency of local institutions in Great Britain has not suffered owing to the prevailing influence of party motives." To complete the picture, it must be added that Birmingham has a full-blown caucus system, of which a description was given by Mr. W. T. Marriott in the *Nineteenth Century* for June, 1882. The chief promotor appears to have been Mr. Harris, "a justice of the peace, and a man of great ability and respected by all who knew him."

"Taking as their basis of operation the sixteen wards into which the borough is divided, they formed a committee in each ward and each of these committees elected thirty-five of their number to be members of a large general committee of 594. The average number in the Ward Committees is 125, and of the thirty-five selected, thirty are members of the General Committee alone, while five—two of whom must be the chairman and secretary of the Ward Committee—are not only members of the General Committee, but are also members of an Executive Committee of the association, which numbers 114. The 594 of the General Committee are made up of the thirty-five members

selected from each of the sixteen wards, with thirty members nominated by the executive and four *ex officio* members; while the Executive Committee of 114 is made up of the five members elected by each of the sixteen wards, together with thirty members selected by itself, and four officers of the General Committee. There is then another committee called a Management Sub-Committee, consisting of eleven members, seven of whom are chosen by the Executive Committee from their own number of 114, and the other four are officers of the General Committee.

It was, and probably now is, the boast of the founders of the association, that its basis was essentially popular and that the organization was merely a machine by means of which the populace could give articulate expression to their will; and there is no doubt that the primary Ward Committee of 125 members, or thereabouts, is elected at a public meeting of all the Liberals residing in the ward who choose to attend; but here any pretence of consulting the *vox populi Liberalis* ends. To those who are accustomed to public meetings, called together for the purpose of transacting business, this consultation of the people must appear little more than a pretence. Some few Liberals, who have a specific object in view, summon the meeting of Liberals in the district, and be the number that attend great or small, it is pretty certain that the majority are not prepared for action. The only people prepared will be those who have summoned the meeting, and they certainly will be ready with a proposal of names for the chairmanship and secretaryship of the committee and probably also with the names of a large number of the committee. The committee once appointed, the power of the people ceases altogether, and it is filtered through the 594 members of the General Committee and the 114 members of the Executive Committee, till it solidifies in the hands of the Management Sub-Committee of eleven, the four most powerful members of which are probably the four officers of the General Committee. If the president and secretary of the whole association are decently strong and able men and they work together, the chances are enormous that the whole power of this intricate organization will rest in their hands, and if the president is wealthy and ambitious as well, he will find it a most potent instrument for advancing his own ends."

It may be safely said that this whole organization of the Birmingham Government is an exaggeration of the features which have had the worst effects in the United States, the absence of responsible executive power and the control of administration by numerous and irresponsible bodies of

politicians. Imagine Boston to be governed by a council of forty-seven men, or New York by one of twice or thrice that number, chosen for three years on party lines and by caucus methods like those described; that this council was to increase its number by one-third chosen for six years from its own active or retiring members, and that the whole body was to choose yearly a mayor with no other functions but those of a presiding officer; and that the whole of the city affairs, the employment of labor, the making of contracts and the appropriation and expenditure of money rested with the council and its committees. It must make the mouth of a Tammany chief water to think of such a simplification of his labors and increase of the opportunities for plunder.

Why does the system work better in England? That is a question very difficult to answer. It may be because of the subservience of the lower to the higher classes so obvious to every visitor. It may be because of the traditions of the higher classes, formed through two centuries of working together for the public good; or because of the example of government by Parliament, so different from the local system or from anything in the United States. For one, the present writer believes that the vicious principles involved will overcome these or any other safeguards, and that it is only a question of time when the English cities have a taste of what New York has been through. And if that happens we shall have a fresh outcry against democracy and universal suffrage. It is but a few years since London was handed over to the County Council, formed on substantially the same principle as that of Birmingham. Already the accounts published by Sir John Lubbock and Lord Rosebery show which way things are tending. At this moment the council is considering the plan of giving up doing public work by private contract and of carrying on that work directly by its committees. We know well enough in this country what that means.

Be that as it may, it is certain that, with our different social conditions, we have nothing to learn from English methods of local government; and the same is true, for different reasons, of such cities as Paris and Berlin. We have got to work out the problem for ourselves, under the actual conditions which exist here. It is this which gives so much interest to the article, which follows that of Mr. Chamberlain, by Charles Francis Adams on the new charter of the city of Quincy, in Massachusetts. Before considering this, however, it may be well to inquire what are the conditions under which we have to work.

Our cities consist of a mass of population without any distinction of class as such. The units are politically, and, as far as politics goes, socially equal. Deference is a quality almost unknown. The laboring man thinks himself to be quite the equal of the millionaire, and, unless he looks to him for employment, is by no means disposed to give way to him. Culture and education of course exist, but they, as well as wealth, are the possession of individuals, and not of a caste bound and working together in public affairs. It is said that gunpowder thoroughly mixed with powdered glass will not explode on account of the isolation of the grains, and this forms a good illustration of the difficulty of getting our citizens to work together. The distinction of Republicans and Democrats, perfectly absurd as applied to cities, is yet at present the only means available to this end. The great majority of these units are fairly honest and respectable people, preferring right to wrong, at least where their interests are not directly involved, capable, more or less, of enthusiasm for purity and ability in character, and desirous, as an end, of that which is really their only interest, though they are a good deal at sea as to the means of obtaining it—good government, with economy and order. They are, moreover, probably more under feminine influence, which distinctly emphasizes these tendencies, than any other people in the world. On the other hand, they are

very busy in providing for their families, and cannot give much time or attention to politics. They will make some degree of sacrifice from a sense of duty if they can see their way clear; but if not, and more is demanded of them, they become apathetic, and it becomes constantly harder to get them to exert any influence. It is useless to upbraid them. The only sensible way is to accept the facts and make the best of them.

Then there is a comparatively small minority, unscrupulous as to ends and violent as to means, looking upon politics as a trade, and studying all the arts of combination and discipline under the keen stimulus of self-interest. The whole experience of societies, which have contained any element of democracy, is that such a violent minority will lead or drive, in any direction they please, the disorganized majority, however great, in spite of themselves. That is the history of France from 1789 to this hour. It is quite too much, though by no means to the same extent, the history of the United States. It is the keynote of municipal politics throughout the country. The problem to be solved, therefore, is how to organize the majority, so that it will present a firm and unyielding front against the minority, and will exert a steady and uniform influence in favor of progress and reform. The first condition is that the questions submitted to them shall be as definite and simple as possible; not complex topics of police, street and school or financial management, tacked on to the Democratic and Republican parties, but questions which can be answered by simple Yes or No. In the next place, everything should be presented as far as possible from the moral side. The interest of each citizen in public affairs is so indirect and remote as compared with his own personal, that his sensibility is blunted in that direction. The feeling of right and wrong presents, as it were, a much more sensitive surface. Thirdly, Politics should be made, in direct reversal of our present methods, as far as possible a question of individuals.

The world always has been, and in spite of all our theories, and whether we like it or not, probably always will be, governed by men, the only alternative being whether by good or bad men. The embodiment of questions in men is the only way to combine the enthusiasm of those who understand the questions with the enthusiasm of those, many times more in number, who only understand the men. Instead of showing how our city charters violate these principles, though in a less degree than the English system, we will examine with a view to brevity the attempt made to apply them in the Quincy charter. It was provided that the mayor should be the only executive official elected at all, and he by general vote of the city, so that he might be the embodiment of the whole administration, and responsible for it. That he might be this, he was given the full power of appointment and removal of all subordinates except the school committee, as to whom even the radical framers of the charter shrank from encountering the popular prejudice. It was held that the separate election of officials, whether by popular vote or that of the council, is destructive of all subordination, of all firm or efficient administration, and of all personal responsibility. In fact, this conclusion has become pretty firmly established in the cities throughout Massachusetts, though separate election of officials is still the curse of the State government. But the Quincy charter ran counter to another prejudice much more deeply rooted: the requirement of confirmation of the mayor's appointments by the council or aldermen. Almost all students of the principles of city government, and notably such men as Seth Low, John T. Hoffman and David Dudley Field, have pointed out that, instead of being a safeguard, it is almost fatal to the hope of good government, because it relieves both mayor and council of responsibility, and cuts off that criticism of one branch by the other which is the only efficient guide of public opinion. A notable improvement in the government of New York City may be

said to date from the Act of 1884, which gave to the mayor the full power of appointment, though that of removal, which seems to be necessary to make the other effective, was still jealously withheld. The Quincy charter gives both powers in full measure. Another object aimed at, though with some compromises, was to get rid of boards or commissions, as overriding the mayor and destroying that personal responsibility which was regarded as so important to public opinion. One man in every place, that man directly responsible to the mayor alone, and the mayor himself to the people, at short intervals; this was the guiding theory. To obviate the almost morbid dread of one-man power, it was provided that the mayor might be removed from office by a three-fourths vote of the council, and a new election ordered. The theory was developed by another provision wholly new in the practice of the country: that the heads of departments, as well as the mayor, should be required to be present at the sessions of the council, to explain the wants of administration and to give a public account of their stewardship in response to the questions of individual members. It was expected that in this way the strength or weakness of the mayor would be made clear to the popular apprehension, and that a better and improving class of men would be chosen with a corresponding effect upon city affairs.

It must be admitted, upon the evidence of leading citizens of Quincy, that the charter has thus far failed to accomplish its purpose; that extravagance of expenditure, local jobbing and caucus politics are as rampant as in other cities in the State. Mr. Adams is led thereby to speak with scanty respect of the principles upon which it is based, or in fact of any principles or organization different from those which have so long prevailed. He believes in a more direct appeal to the people, which, it may be observed, was exactly the object of the charter, the only question being how to bring it about. He believes in minority representation and cumulative voting

with election of councilmen at large. As to the first point, it may be said that what we really need is majority representation, which we certainly do not have now: as to the second, that it has been tried in England, with, I believe, very moderate success: and as to the third, that it has been tried in Massachusetts with the result that the candidates were by political trading assigned to the wards just as much as when they were elected by them. Mr. Adams charges further that the Quincy charter was an attempt to provide an automatic machine, which should govern of itself, leaving to the citizen only the trouble of voting. That seems to me, on the other hand, to be a description of the work of the Democratic and Republican machinery, the real object of the change being to enable the average citizen to see for himself the whole internal working of city administration, to form an independent judgment as to the men who manage it, and to combine his vote with those of other honest men, without being obliged to go through the mire of the caucus. Mr. Adams admits that the best men do not go into politics, and hints at compulsion as a possible remedy. It reminds one of the old adage, that you can lead a horse to the water, but you cannot make him drink. It would be rather hard to threaten a man with fine and imprisonment for refusing to take a share in the government of a city, and then to dismiss him with obloquy if it was not governed well. The reason why the best men are not in office is that at present there is no honor to be won, but more or less taint of reputation to be incurred. With the present diffusion of power and responsibility, no credit is to be had for good work, but an inevitable share of blame for bad. A sneer at politicians is the best a man can hope for who achieves any success by devoting himself to the public good. Probably there is no country in the world where so many men of independent leisure are prepared for hard work and sacrifice on behalf of the public, if only they can win thereby the respect and confidence and approbation of their fellow citizens. For that it is necessary that public work

should be so arranged that every man should get full credit for the good he does and be secure from blame for the evil which he does not do. That is a question of organization, and is what the Quincy charter aimed to accomplish.

Why has it failed in this? Not because the principles were unsound, but because the means adopted for enforcing them were inadequate. My own belief is that the difficulty lies under the head of finance. The following remarks from the *London Weekly Times*, of October 14, are just as applicable to the United States, the forty-four States and all our cities, with the possible exception of New York and Brooklyn, down to the smallest.

"In Italy, as everywhere, everything ultimately resolves itself into a question of finance. The establishment of a budgetary equilibrium is the constant preoccupation of every Premier who is fit for the post, and the grand obstacle in his way is the Chamber of Deputies. In theory the guardians of the public purse and the vigilant critics of executive expenditure, the representatives of the people have become in practice the stubborn defenders of public extravagance and financial abuses. Each Deputy constitutes himself the guardian, not of the public purse, but of the interests of his locality and even of his individual supporters."

Indeed, the case is much worse here, because the executive hardly has any power at all. The whole appropriation of money and the practical control of expenditure lie with the members of council and its committees, subject only to the feeble obstacle of the mayor's veto. Why is it, on the other hand, that the English national finance is incomparably the first in the world? that for half a century there has been a gradual and steady reduction of debt and taxation and the annual budget balances within a quarter of one to one per cent.? Simply because the whole subject is left to the Chancellor of the Exchequer, and no member of Parliament ever proposes an expenditure or a tax. Why is it that while other nations are struggling in the meshes of protection, Great Britain alone never wavers a moment from her policy of free trade? Simply because no step toward a change

can be taken without the intervention of the Chancellor of the Exchequer, and he represents and is responsible to the silent majority of the nation, standing far above the intrigues and lobbying of private interests. So long as the members of the Quincy Council can combine together to spend money as they please, they care very little what the mayor and his officials say or do. But if the charter provided that no money could be raised or spent except upon the proposal of the city treasurer, appointed by the mayor, himself elected by the people, the members of council would be obliged to turn their attention to these officials, and attack or defence would arouse and guide public opinion and raise the quality of men on both sides. A part of this result, as regards economy, has been obtained in New York and Brooklyn by the Board of Estimate and Apportionment, which sends to the aldermen estimates which they can decrease but cannot increase. But the Board remains an impersonal body, out of sight of the people, its decisions, as well as motives, are never subjected to public discussion, and it has no responsibility for executive administration. It is no instrument for stimulating and guiding that public opinion which is to be looked to as the final arbiter.

Whether this view of finance is sound or not, it should not obscure the main point of the discussion, whether reform in city affairs is to be sought through improved machinery for bringing public opinion to bear, just as we should do with the force of steam or electricity, or whether we are to accept as final the methods which have come down to us in the last hundred years, and limit ourselves to manipulation of the methods of voting.

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Boston.

COST AND EXPENSE.

In a recent paper*, I contrasted the use of the terms cost and utility in the theory of prosperity with their use in the theory of value. The relation of cost to utility however, cannot be fully understood until the relation of cost to expense is explained. In the theory of value, the use of the terms cost and expense is such that two distinct concepts of production are confused with each other, and hence these terms are often used as synonyms, when they should have distinct ideas attached to them. A contrast of these terms and of the ideas they should convey must be made before the theory of prosperity can be clearly distinguished from a theory of value. I shall therefore complete my argument by presenting the subject anew from this point of view.

Cost is measured by the disagreeable exertion necessary for production. It is the sum of all those painful acts which reduce the vitality of the producer, and hence demand a certain compensation or relaxation to replace the producer in the condition he was before the act of production. Some simple acts of production in a primitive society will be undertaken by producers for their costs only. In an advanced society, however, an act of production demands of the producer more than mere painful exertion. It also demands sacrifice. Sacrifices differ from costs in that the former relate to acts of consumption while the latter relate to acts of production. Efficient production involves not only cost, but also changes, delays or losses in consumption, which together make up the sacrifices of production. These sacrifices are of many kinds. Often the producer must, to increase production, migrate from one county to another, or from

* Cost and Utility, ANNALS OF THE AMERICAN ACADEMY, January, 1893.

country to city, and then a change in many forms of consumption is demanded, new pleasures being substituted for those most cherished in the old home. The sacrifice of confinement through which the producer loses the pure air and invigorating conditions of outdoor life, as well as many of the free goods of nature, is another example of the losses in consumption which efficient production demands. The act of abstinence is also a form of sacrifice which compels some consumers to delay their consumption in order that other producers may have the necessities needed to make their labor more productive.

For efficient producers however the most prominent form of sacrifice results from the increasing demand for more time in which to produce and to consume. The time needed for consumption cuts in on the time demanded for production. There is on the one hand a tendency to work longer when labor becomes more efficient, and on the other, when a greater sum of utilities is produced, more time is required to get the maximum pleasure from its consumption. There is, therefore, an antagonism between the demands of production and of consumption for the time of the producer. The resulting compromise compels him to reduce the time devoted to consumption and thus to lose some of the utility of the articles he has produced. If more than a certain quantity of goods is consumed in an hour's time, the additional goods do not give that amount of utility to the consumer which they would yield if he had additional time for their consumption. A dinner, for example, yielding one hundred units of pleasure if an hour's time were given to it, might not yield more than eighty units if only forty-five minutes were taken, while the total pleasure might be less than sixty units if the time were reduced to one-half hour.

This compressing of the consumption into so short a period of time that the maximum pleasure cannot be derived from it, I shall call *the interference in consumption*, since the consumption of one commodity under these conditions

interferes with the complete utilization of the others. All kinds of sacrifice involved in production are really varieties of interference in consumption and I shall use the two terms as synonyms. The sacrifice of confinement, for example, compresses the enjoyment of nature's free goods to a shorter period each day, heightening the pleasure of this shorter period but reducing the total utility. Abstinence also may be viewed as an act confining the enjoyment of certain goods to a future time so that the present may be utilized more fully for production. We can always increase the pleasure of the present goods consumed during a given period if we neglect the production of future goods. Present production therefore interferes with present consumption and the enforced delay of the latter reduced the utility of the goods.

Producers endure as I have said, cost and sacrifice: To consumers, however, all outlay is expense—the giving up of one utility to secure another. Each party to an exchange has already produced or at least possesses certain goods, and needs other goods which some one else has produced or possesses. He measures the goods he receives not through the cost of the goods to their producer, but through the utility to him of the goods he has parted with. Expense is equal to the utility of the goods parted with in exchange for other goods. What the producer loses in the act of production is his cost; what he gets in exchanging his product for other goods is his reward. Expense should therefore be associated with reward for labor and not with the cost of the producer. The reward of the producer is equal to the sum of his costs and sacrifices. The reward increases, as costs are reduced, because a high reward indicates relatively low costs. But sacrifice grows in proportion to the increase of the reward and hence the two—cost and sacrifice—always make up a sum equal to the reward at the margin of production.

Sacrifice relates to consumption and is the result of the interference in consumption. Though it is not a source of

pain when fully compensated for, it is measured by producers in terms of cost, and has the same effect on expense as if it were a cost. Real costs are units of pain and their quantity is independent of the utility of goods to consumers. But the sum of sacrifices grows not with cost but as cost is reduced. It depends upon the utility that consumers get from the margin of their consumption and increases or decreases as this margin rises and falls. While therefore it is possible to measure the expense of commodities either in terms of utility or of cost, it must be kept in mind that expense grows greater or less, not as cost increases or decreases, but as the margin of consumption rises and falls.

The difficult part of this analysis consists in seeing that sacrifices, although measured in terms of cost, really depend upon and vary with the margin of consumption. I shall endeavor to make my meaning clearer by using a diagram.

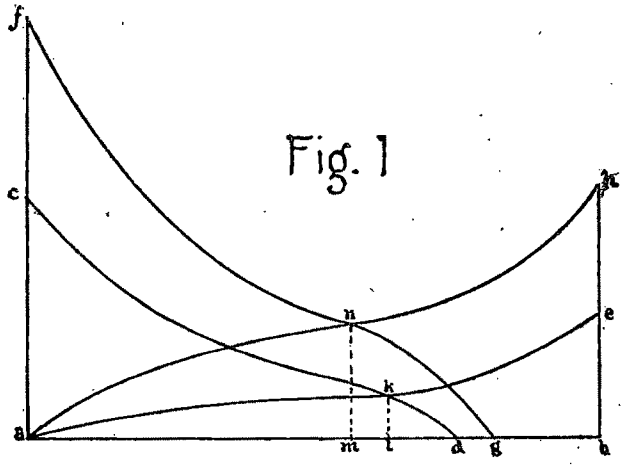


Fig. 1

Let the quantities of goods produced and consumed in a day be measured along the line *a b*. I shall assume that the whole day, equaling *a b*, is limited to sixteen hours, the other, eight being used for sleep, need not be considered.

Let the surplus utility of the first unit produced be measured along the line *a f*, the surplus of this increment being equal to the line *a c*. Let, also, a line be drawn from *c* to *d* on the line *a b*, so that the area *a c d* will show the total surplus of the day's work. The distance of each point in the line *c d* from the line *a b* will measure the surplus of that increment of commodity. Production must cease at *d* because there would be no further inducement to work. I do not measure the cost or total utility of the product of the day's work because my argument does not depend upon either. Surplus, it should be remembered, is the difference between cost and total utility.

If we further assume that the line *a d* represents twelve of the sixteen hours allotted to production and consumption, the consumption of the goods produced would be crowded within the limits of the four remaining hours. When the producer works twelve hours he loses much by the interference in his consumption. Many free utilities would be given up and other utilities could be but partially enjoyed. To measure this loss the line *a e* can be drawn so that at any point its distance from the line *a b* will indicate the loss in consumption involved in giving that portion of the time to production and thus compressing the consumption within narrower limits of time. In the first hours of working this loss would be slight, but it would gradually increase as the day advances and in the closing hours it would be very great. If the whole sixteen hours were given to production and the consumption of goods forced over into the remaining eight hours usually given to sleep, the loss would be measured by the area *a b e*.

Under these conditions the working day would not be extended through twelve hours, although production would give a surplus during that time. If the working day were of that length the producer would get no compensation for the utility he loses through the interference in his consumption due to the reduced time left for consumption. He would

have a return for all his costs, but none for his sacrifices. The working day would, therefore, be shortened until the surplus of the last increment of production would compensate the producer for his sacrifices. The normal length of the working day under these conditions would be fixed not by the place where the lines *a b* and *c d* cross, but by the intersection of the lines *c d* and *a e*. If the line *a l* is five-eighths of the line *a b*, the day's work would be shortened from twelve to ten hours and the marginal cost of the producer would be less than the margin of his consumption by the amount measured by the line *k l*.

Let us further suppose that the productive power of society is increased so that the surplus of the first increment of production equals the line *a f*, and that the working day during which the producer can get a surplus for his work is extended from twelve to thirteen hours. If *g* is the point of no surplus under the new conditions, the distance from the various points in *f g* to the line *a b* will indicate at each point the surplus of the corresponding increment of production, and the figure *a f g* will measure the whole surplus under the new conditions. But with the increase of the surplus the interference in consumption will also increase. There will be more to consume at any given portion of the day after production has begun and the sacrifice involved in crowding the whole consumption within a given time will be greater. The day must, therefore, be divided differently from what it was before the productive power was increased, and a relatively longer period must be given to consumption. If the area *a h b* measures the interference in consumption after the increase of productive power in the way that *a e b* measured it before the increase, the length of the new working day will be determined by the point *n* where the lines *f g* and *a h* intersect. The new working day will, therefore, equal the line *a m* and be say nine instead of ten hours.

As the same line *m n* measures both the marginal sacrifice and the marginal surplus, it may seem that there is no

advantage in distinguishing sacrifice from cost. Sacrifice is at least measured in terms of cost and together they determine the margin of production and the value of what is produced. If their sum decreases, the working day is prolonged, and if their sum increases the working day is shortened. Why make a distinction which seems more technical than real?

The difference between cost and sacrifice becomes of importance even in the theory of value, when the effects of the distribution of wealth are considered. Costs, I have shown, are determined by the conditions of production and must be borne by the actual producer. They grow greater or less with each change in the productive power of society. Their amount cannot be changed without a change in the conditions of production. No producer will work for less than the cost of his labor. Costs, therefore, form a barrier below which the return of the producer cannot fall, thus fixing the limit to the changes in objective values through which the distribution of wealth is effected.

Sacrifices, however, depend not on an act of production, but on having certain goods to enjoy which must be given up to extend production. The extra expense of the purchaser of goods above their real cost varies with the amount of consumable goods that the producer has when the new production is to begin. There can be no interference in consumption unless the producer already has a quantity of goods at his disposal, and the greater the quantity of these goods, the greater the interference.

It follows from this reasoning that the quantity of sacrifice demanded of a producer varies with his income, and if his income is reduced through a more unfavorable distribution of wealth the quantity of sacrifice demanded of him is reduced. Sacrifices, alone, form no barrier to the reduction of income. They grow less as the income decreases and would fall almost to zero (overlooking free goods) if an unfavorable distribution of wealth reduced the value of the

goods produced to their real costs. Even the free goods can be monopolized and the producer shut out from their enjoyment without any reaction in the downward tendency of the value of goods produced solely by labor.

Costs alone form an irresistible barrier to the fall of objective values separate from the conditions determining the distribution of wealth. They are a part of the conditions of the individual workman and cannot be separated from him. Sacrifices, however, depend upon the general social conditions and vary with them. The ultimate cause of the increase or decrease of sacrifice is out of the control of the individual workman. It depends upon the distribution of that portion of the income of society, the shares in which are determined for the various factors in production by their relative rates of increase.

In our diagram, for example, after the increase of productive power by which the surplus of society is increased by the area lying between the lines *c d* and *f g*, the sacrifice of producers is also increased by the area lying between the lines *a n* and *a k*, if this increased surplus is given to the same persons who bore the costs. This distribution of the additional surplus may not take place. Suppose that certain monopolies increased their profits to such an amount that they absorbed all of the results of the increase of productive power. Then the surplus of the producers would be exactly what it was before the improvements in production, and hence their sacrifices would also be unchanged. The sacrifices would still be measured along the line *a e*, and the surplus enjoyed by the producers would be measured along the line *c d*. The length of the working day would be determined by the point of intersection of the lines *c d* and *a e*, and the workman would work ten hours instead of nine, as would be the case if they received the whole of the benefit of the improvements in production.

The increase of sacrifice depends not on the increase of productive power, but on the distribution of the surplus.

Sacrifice is not, therefore, a safeguard against a fall in the value of goods, nor against a decrease of income, except in so far as the loss of income will affect the relative rate of increase of the workmen. A part of the subjective value of each increment produced equal to the marginal cost of production has its distribution fixed by the marginal costs of producers. The distribution of this part cannot be altered without some change in the cost of production. Another part of subjective values is measured by the difference between the marginal cost and marginal utility of the final increment of production. The distribution of this part is independent of the condition of the individual producer, and depends upon the relative rates of increase of the various factors of production. The most slowly increasing factors get the largest shares, and hence this part of the surplus may be called the monopoly fund, the law of its distribution being a law of monopoly and not of cost. The quantity of sacrifice is determined by the distribution of this fund. Whoever gets the fund increases his sacrifices through the increase in the interference in his consumption which the additional consumption creates.

It is therefore the relative rates of increase of producers which determine whether their sacrifices are a barrier against a fall in the objective value of the goods they produce. If they are one of the slowly increasing factors, they may be sure that their share of the surplus will not be reduced, and hence their sacrifices will be a check to the fall in the value of the goods they produce. But under other conditions, when their rate of increase is relatively large, their sacrifices will be of no avail in preventing a reduction of income through a fall in the value of what they produce. Sacrifice as a cause of value fails where its aid is most needed, and is efficient only where other causes will produce the same results.

The effect of this sacrifice or interference in consumption shows itself most clearly in international trade. The

well-known doctrine of Ricardo makes international trade an exception to the general law that value depends upon cost of production. The exchange of commodities between nations, it is said, is determined by their relative and not by the absolute cost of production. Trade may exist between countries although one of them can produce all the articles exchanged with less labor than the other.

Foreign trade, however, is no exception to the general law that the expenses of production determine the value of commodities. The apparent exception is due to the fact that, in foreign trade, cost is used in the sense of disagreeable exertion, while in domestic commerce it is made to include both the cost due to disagreeable exertion and the sacrifice due to interference in consumption. Two elements are thus added which vary inversely to each other. As cost decreases and reward for labor increases, the interference in consumption grows, and the expense of buying commodities is relatively greater.

The reason why values in foreign exchange are not proportional to costs is that the interference in consumption is not the same for nations with different degrees of productive power. When the expense due to this interference in consumption is added to the real costs of production, it will be seen that the same law holds in foreign as in domestic exchange. Suppose nation *A* can produce a pound of sugar for three units of cost and a pound of coffee for four units of cost, while nation *B* can produce a pound of sugar for two units of cost and a pound of coffee for three units of cost. Nation *B* therefore has the advantage in the production of both articles, and yet a trade will arise between them. How can it be explained? Nation *B* has the best environment, and hence, as the return for labor is more abundant, the interference in consumption will be greater. We will assume that in *B* the relationof cost to sacrifice (the interference in consumption) is as one to one, while in *A*, where the environment is not so good, the relation of cost to sacrifice

is as five to two. The following table will show the relation of cost to expense for the two articles in the two nations:

	COST.		EXPENSE.	
	A.	*B.*	*A.*	*B.*
Sugar, . .	3	2	$4\frac{1}{5}$	4
Coffee, . .	4	3	$5\frac{3}{5}$	6

Sugar in *A* has a cost of 3 units a pound, and the sacrifice will equal $1\frac{1}{5}$ units ($\frac{2}{5}$ of 3). The expense will be $4\frac{1}{5}$ units. Coffee in *A* costs 4 units a pound; the sacrifice is $1\frac{3}{5}$ units and the expense is $5\frac{3}{5}$ units. Sugar in *B*, however, costs 2 units a pound; the sacrifice equals 2 units also, and the expense is 4 units. Coffee in *B* costs 3 units a pound; the sacrifice is 3 units and the expense is 6 units. In *A* the expense of sugar would be $4\frac{1}{5}$ units, and in *B* 4 units a pound; while in *A* the expense of coffee is $5\frac{3}{5}$ units, and in *B* 6 units a pound. The expense of buying sugar will be less in *B*, and the expense of coffee less in *A*. It will therefore be an economy of expense for both nations to buy their sugar in *B* and their coffee in *A*, and the people of *B* will gain by this trade although the real cost of producing coffee is less in *B* than in *A*.

In the same way it can be shown that the general law of value applies when exchanges take place between different classes in a given nation, forming what Cairnes calls the non-competing groups. The higher classes produce given commodities at less cost than the lower classes, yet because of the better environment due to superior intelligence the interference in their consumption is much greater. If we add compensation for this greater interference in consumption to the real cost of production, the expense of the commodities they produce can be determined, and in a like manner the expense of the articles produced by other classes can be fixed.

With this explanation, it is easy to see why each class in society is able to maintain itself in some industry in the complex organization of a modern society without creating

any exceptions to the general law of value. If the demand for the products of a given class fall off and their incomes are reduced, the smaller consumption reduces the interference in consumption. The sacrifice now being less, the sum of sacrifice and cost is less, and hence the expenses of production are reduced until they are no greater than the value of the products of the class in question. If, however, the demand for the products of a given class increases and the income grows, the interference in consumption also increases, and thus the sum of sacrifice and cost becomes so great that the normal expenses of production are equal to the higher value of the goods produced. When the value first rises it appears to be a monopoly value purely; but the larger incomes creating additional interference in consumption soon raise the normal value so much that the monopoly element is lost sight of. Each class therefore regards its income as just, and imputes to the act of production a cost equal to the value of the goods produced. A close analysis will, however, show this estimate to be erroneous. The real costs are much less than the expenses of production. To make cost and expense equal, sacrifices are regarded as costs when they are really an index of prosperity. The greater the interference in consumption, the better the environment and the less the costs.

The normal expense of the goods produced by a given class of workmen cannot be determined until its relations to other non-competing classes are known. The relative rates of increase of these classes determine the distribution of a large part of the surplus. The relative share of each class in this part of the surplus determines the interference in its consumption and hence the amount of its sacrifice. The expenses of production, if a given class is to be employed, can now be known by adding the sacrifice to the real costs. In this way the influence of distribution on expense is made clear, and the law of value is stated in a way to which there are no exceptions.

The following chain of reasoning shows how value is connected with utility and cost. The margin of consumption determines the amount of cost and sacrifice, the latter increasing and the former decreasing as the margin rises. The sum of cost and sacrifice equals the expense of production and this expense fixes the value of commodities. We cannot, therefore, analyze and determine the value of commodities through a study of costs alone, thus making the theory of value independent of or an introduction to the study of other parts of political economy. The theory of value depends upon the theory of consumption and cannot be studied with profit until the latter theory is thoroughly understood.

I have shown that the expense of the consumer is measured by the reward of the producer. This reward is also equal to the sum of sacrifice and cost of the producer. Expense can, therefore, be measured in terms of cost, and thus the relation between cost and expense can be made clear. The following figure will aid in illustrating this relation.

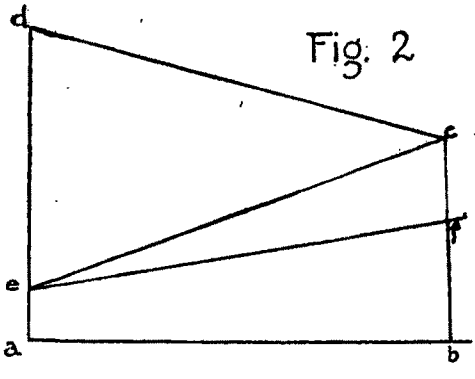


Fig. 2

If the quantity of goods produced be measured on the line *a b*, the estimates of the producer and consumer of these goods can be measured by vertical distances from this

line. From the standpoint of the producer the production of these goods involves cost and sacrifice. The cost of each successive increment is measured by the distance between the lines *a b* and *e f* while the sacrifice is measured by the distance from *e f* to *e c*. The reward necessary to call forth the productive act will be measured by the distance from *a b* to *e c*.

In the mind of the consumer, however, the contrast is between utility and expense. The pleasure derived from an article is compared with what he must lose to get it. He therefore measures his net utility by the distance from *a b* to *d c* and his expense by the distance from *a b* to *e c*. The line *e c* can be called the *expense line* as its location shows how much the consumer would have to give up in exchange for a given increment if the relation of supply and demand made it the marginal increment. Under these conditions the problem is to determine where production will cease, and why it will cease while a surplus yet remains to the producer in the final act of production.

From the standpoint of the consumer, the utility of each additional increment grows less and its expense grows greater until the two quantities are equal. The point *c*, where the lines *e c* and *d c* meet, indicates the place where the surplus to the consumer, due to the exchange, will be reduced to zero, and hence this point will mark the limit to production. As the expense of the consumer is measured by the reward of the producer, the line *b c* shows the maximum reward which the producer can secure. If production is continued beyond this point *c* the producer will still have a surplus, but it can not be greater and would soon be less than if production ceased at point *c*.

To show more clearly the motives which limit production at the point *c* I must again refer to a confusion found in economic reasoning resulting from the use of the word "utility" in different senses.* Utility in one sense of the

* See *Quarterly Journal of Economics*, Jan., 1893, page 182.

term measures the addition to the happiness of a person which the consumption of an article will give. This positive utility may be one, five, ten or more units, depending upon the amount and quantities of the article.

Utility may also be used in a negative way to denote the loss that a person would suffer if deprived of a particular portion of a commodity. In other words it is the power a given increment has to improve the condition of its possessor. Professor Clark calls this kind of utility "effective" utility, and I shall employ it in a more restricted sense to bring out more clearly one of the ways in which the term "utility" is used.

Positive utility is a direct relation between the consumer and a given commodity. The pleasure of its consumption is a fixed quantity which can be measured by its effects upon the consumer. Effective utility, however, is a relation between two commodities and the consumer. It is measured not by the total utility of each commodity, but by the excess of the utility of the one commodity over the other. If Article *A* gives twelve units of pleasure and Article *B* gives ten units and the consumer must choose between them, the effective utility of *A* is two units. The status of the consumer will be better by two units if he chooses *A* than if he chooses *B*, or in other words, if he loses *A* and substitutes *B* in its place, the sum of his utilities will be reduced by two units.

If, for example, a thirsty man comes to the bank of a river the positive utility of a cup of water will be great, but its effective utility will be zero. If this cup of water is thrown away, another cup will supply its place fully and he will suffer no loss. Suppose again that the consumer can supply his thirst by milk, beer or water. The effective utility of the milk and beer will not be as great as their positive utility. If the water gives four units of pleasure, and the milk or beer ten units of pleasure, the effective utility of the milk or beer will be only six units. They only add six units to

the welfare of the consumer beyond what the free water would add. Their value cannot exceed six units, although each of them has positive utility of ten units. Wherever, as in these cases, the consumer has a choice between isolated pleasures supplying the same want, the positive utility is greater than their effective utility, and often the positive utility is great where the effective utility is small or entirely absent.

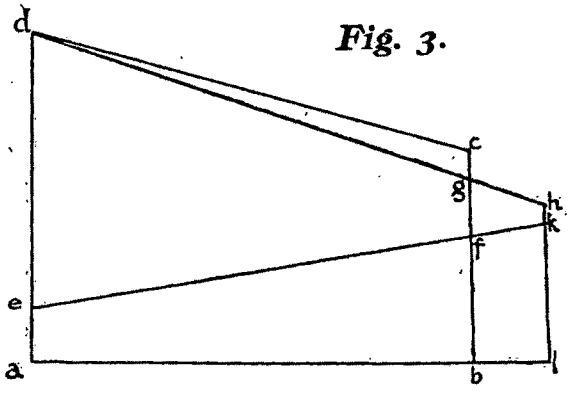
This distinction is of importance also to producers. The positive utility of an opportunity to work is measured by the whole return for the labor expended. The effective utility of this opportunity is measured by the difference between the return from this opportunity and some other opportunity, which might be utilized if the first opportunity failed. If, for example, a man was in the midst of a fertile tract of unoccupied land, the effective utility of any portion of it would be zero. He would lose nothing if any one farm was taken away. Its positive utility, however, would be great, because the return for his labor would be large. On the other hand, the effective utility of a chance to work in a shirt factory may be very great to a poor woman with no other opportunity to work. Life or death may depend upon this one chance. The positive utility of this opportunity, however, is small since the return for labor is meagre.

The consumer views the act of exchange he is making with the producer from the standpoint of effective utility. He is comparing the relative utilities of two goods and values each increment by its effective utility alone, that is, by what he would lose in welfare, if he consumed what he gives up instead of what he gets in exchange for it. He ceases to exchange at *c*, in Figure 2, because no new commodities will add to his effective utility.

The producer, however, is interested both in the positive utility of what he produces and the effective utility of the opportunity for labor which he utilizes. His surplus is measured by the difference between the cost of what he

produces and its positive utility. He is well-off or poorly-off according to the size of this surplus. His inducement to continue work, however, depends not on the size of the surplus but on the effective utility of the next opportunity to labor. How much will this additional labor increase his well-being? To answer this question we must know more than what surplus it will give; we must also know what this time is worth to him as a consumer. Two surpluses must be compared—what he will secure by working, and what he will secure by a better utilization of what he has already produced or by enjoying free goods.

Fig. 3.



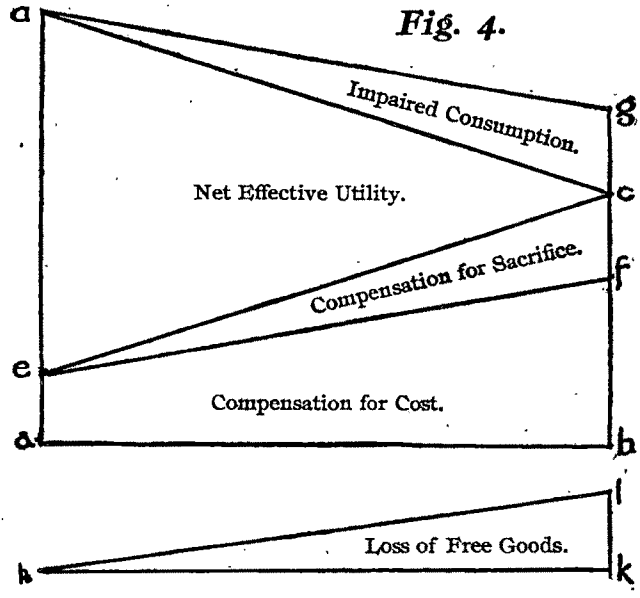
To illustrate the relation of the equilibrium at the margin of production let us modify Figure 2 by supposing that an additional quantity of goods equal to *b l* is produced. The shortening of the period of consumption would reduce the utility of the goods already produced by the area *c d g*. The utility of the new goods would be equal to the area *b g h l*, their cost would be equal to the area *b f k l*, and the surplus would be equal to the area *f g h k*. If the point *c* is at the margin of production the area *g c d* will be equal to the area *f g h k*. The two surpluses will therefore be equal and it will be a matter of indifference to the producer whether he secures

the one surplus by working or the other by not working. The producer will cease to work at the point *c*, because the effective utility of the opportunity for labor which he is utilizing is at this point reduced to zero. He can add nothing to his welfare by working longer. His surplus, however, in the final act of production is measured not in terms of effective utility, but in those of positive utility. He has a surplus if the pleasure he derives from an article is more than its subjective cost. The comparison is direct between the utility and cost of the article in the mind of its producer and not a relative estimate of the utility of two articles. At the point *c* the producer can secure a surplus (the area *f g h k*) by working or he can secure an equal surplus (the area *c d g*) by a better utilization of what he has already produced. In either way he gets a surplus but neither way adds to his effective utility, because, if he were deprived of one of these surpluses, he could enjoy the other, and hence he would lose nothing in well being. When this point is reached, production ceases, although a surplus measured in terms of positive utility remains.

A variety of possible pleasures, if they are exclusive, always reduces the effective utility of each of them without having any effect on the surplus they afford. If I must chose between a trip to New York and one to Washington, and each of these trips will give me eighty units of pleasure at forty units of cost, neither of these trips will have any effective utility to me, because my welfare does not depend upon the one so long as the other is possible. Shall I, therefore, say that I have no surplus in going to New York because I lose forty units of surplus by not going to Washington, and no surplus in going to Washington because I lose forty units of surplus by not going to New York? If this estimate is correct there can seldom be a surplus. There is always a variety of ways in which to expend our income, and we lose several possible surpluses every time we make a purchase.

In Figure 2 the area *e f c* does not represent a loss to society, but merely a loss to consumer. Because of the interference in consumption this portion of the surplus is taken from consumers and given to producers. What the producers really lose is an area equal to *e f c* not represented in this figure, but which can be fully illustrated by a modification of the figure.

Fig. 4.



The main facts about Figure 4 being the same as in Figure 2, I need not explain them again. The area *d g c* represents a utility which might be secured if it were not for the interference in consumption. If there were plenty of time and no interference in consumption, the total utility of the goods enjoyed by society would be the area *a b g d*. Producers, however, do not secure the area *d c g*, because they use so much of their time in production. The net

utility of all the goods is, therefore, the area *a b c d*. Of this latter area *a b f e* goes to producers as a compensation for their costs. The producer is compensated for the loss of *d c g* by transferring to him from the consumer that part of the net surplus of society represented by *e f c*.

This transfer of surplus from consumer to producer works itself out in this way. When the producer begins to feel the effect of impaired consumption, he shortens the length of his working day and produces less goods than he otherwise would. The fewer goods to consume raises the marginal utility of goods to consumers, and they will give up more of their income to get these goods. An equilibrium is reached when the reduced production increases the marginal utility of goods to consumers so that a compensation is given to producers for their impaired consumption. The point *c* represents this equilibrium and the area *e f c* represents what the consumers must give up to the producers because of the loss of the area *d c g*.

If the loss of the producer is in free goods instead of in impaired consumption, the same effects will follow as those we have just described. Let the area *a b c d* represent the net utility of the produced goods and the area *h k l* represent the free goods that are lost because of prolonged production, then the area *e f c* must be given to producers as a compensation for this loss. The effective utility of goods to consumers would be reduced to zero at the point *c*, and they would lose an amount equal to the area *e f c*.

The utilities which the producers fail to secure may be both through impaired consumption and the loss of free goods. The area *e f c* must, therefore, be large enough to compensate for both these losses. The line *b c* must equal the sum of *c g* and *l k*. In any case the area *e f c* is a part of the real surplus enjoyed by society, and hence there is a surplus at the margin of production, although neither producer nor consumer has any effective utility from the last increment of production.

In the last number of the ANNALS* Professor Clark restates his argument relating to the surplus gains of labor, and uses Table *A* to illustrate the utility, cost and sacrifice of the final period of a day's work. Table *B* contains my estimates of these quantities under the same general conditions.

	A.	*B.*
Utility of article produced, . .	$1\frac{5}{6}$	1
Utilities lost by confinement, .	$\frac{2}{3}$	$\frac{1}{4}$
Net utility gained by this labor, .	$1\frac{1}{6}$	$\frac{3}{4}$
Direct disutility of labor, . .	$1\frac{1}{6}$	$\frac{1}{2}$
Surplus of gain, ...	0	$\frac{1}{4}$

The conditions on which these tables are worked out have been carefully stated in the paper referred to, and I shall not restate them in full. It is assumed that the workman is beginning the tenth hour of labor and the problem is to determine at what time under the given conditions he will cease working. Professor Clark thinks he will work twenty minutes after the tenth hour has begun; I think he will work only ten minutes of this hour. The two tables are the result of these estimates. In comparing them it should be remembered that the utility of the product of the first half of a period of work is a little greater than the utility of the second half and that the subjective cost of the first half is a little less than half the cost of the whole period. I estimate therefore, the utility of the product of the first ten minutes of the hour at one unit and its cost at one-half a unit. The loss by confinement will also be much less the first than the last ten minutes. We will call it one-fourth of a unit.

Professor Clark thinks that in this final period of labor three quantities must be considered. The plus quantity is the whole benefit derived from the articles produced during the final period. The two minus quantities are the sum of two sacrifices, one the result of weariness and the other of

* March, 1893, p. 79.

confinement. The sum of the two latter will equal the former. I think, however, that there are four quantities to consider—the whole utility of the article produced, the cost of producing it (the result of weariness), the loss through confinement and the compensation for this loss of confinement. The first three items are the same as those of Professor Clark. The fourth item is the point at issue, and its importance demands further illustration.

It is assumed by both Professor Clark and myself that during the first nine hours of labor 21 units of utility were produced at a cost of 6 units. If the man works twenty minutes more as Professor Clark assumes, he has 22⅙ units of utility at a cost of 7⅙ units. This twenty minutes is therefore a blank in his life; he merely exists, but makes no net addition to his welfare. If he does not work, however, he can enjoy the utilities which would be lost by working and would thus add ⅔ units to his welfare without any cost. In this way the twenty minutes would not be a blank, but a source of net pleasure. Again, if he does not work, he has 21⅔ units of pleasure and 6 units of cost; if he works, he has 22⅙ units of pleasure and 7⅙ units of cost, thus adding ½ unit to his pleasures and 1⅙ units to his costs. The pleasure added by working costs therefore more than twice what it is worth.

At the end of ten minutes' work, as in my table, he has 21¾ units of pleasure at the cost of 6½ units; if he does not work, he has 21¼ units of pleasure and 6 units of cost. The ¼ unit gained represents the utility he would have lost by confinement. He has added by working ¾ unit of pleasure at a cost of ½ unit. His net gain by working is therefore ¼ unit. This net gain just equals the net gain he would secure during these ten minutes if he had not worked. This is therefore the point of equilibrium. It is a matter of indifference to him whether he works or does not work. The net utility of the day will be the same in either case.*

* See also Figure 3, page 51.

From this illustration the ultimate premise of Professor Clark's reasoning can be seen and contrasted with my premise. He assumes that the laborer works as long as he can get a surplus from his work. I assume that when a laborer can increase his utilities by working or by not working, he will cease working when the increase of his utility by not working equals the net increase obtained by working. The object of economic activity is to increase the net pleasure of living. When a man can get, as in these tables, 15¼ units of net utility by working nine hours and ten minutes, he will not work ten more minutes to increase his gross utility, if by so doing he reduced his net utility to 15 units.

Thus far we have measured expense subjectively as it is estimated in the mind of the consumer. He is represented as bartering utilities for utilities, measuring the expense of what he gets by the utility of what he gives. In the modern world, however, acts of barter seldom take place. The consumer sells his goods for money and uses this money to purchase new goods which have a greater effective utility for him. It is necessary, therefore, to translate these terms and ideas of subjective economics into the terms and ideas of commerce.

The real difficulty in this transfer consists in the fact that although subjective values can rise and fall, objective values cannot; they can merely shift, some falling while others rise. While it is easy to trace the effects of a rise or fall in the margin of consumption in terms of subjective values, it is difficult either to trace the effects of this change in objective values or to represent them completely in a diagram. It must also be kept in mind that a rise or fall of subjective values is not accompanied by a rise or fall in prices unless the term "prices" is used in some concrete manner as, for example, wholesale prices or those prices of freely produced goods. It often happens that the term "prices" is used in this narrow sense because the prices of freely produced goods

are readily ascertained, or because it is assumed that other prices stand in some fixed relation to wholesale prices.

In the sense, however, that we can say objective values cannot rise or fall, all the means of increasing utilities must be included whether they are embodied in commodities or not. Services, for example, are a most important means of increasing utilities, and their value must be included in any estimate of total values. The leading contrasts are between services and goods, material* and finished products, present and future goods, and wholesale and retail prices, skilled and unskilled labor, complements in consumption and the isolated articles of which they are composed.

It is impossible that all the requisites of production should be plentiful at the same time. There can, of course, be an absolute increase of all the factors of production at the same time, but the abundance of certain factors means the relative scarcity and high value of others. This opposition is especially true between labor and land and between labor and goods. Wages cannot be high unless a day's work will purchase a large quantity of goods. High wages also means a low relative value of land † and an abundance of opportunities to labor—in other words, a high margin of production. If the laborer can choose between many good opportunities to work, labor is relatively scarce and wages will be high. But many good opportunities for each workman to work means efficient production and an abundance of goods at a relatively low value.

The laborer must be paid as much as he can get working to supply his own wants in order to induce him to work for society. A high margin of production both enables and compels society to bid high for the services of its members. A fall in the value of future goods, wholesale prices, raw

* Under material, I include all goods, the high price for which indicates that a high rent is paid for the use of the better means of procuring them. In that complement of goods that we call a home, for example, the value of the building lot may rise and the building material may fall, or the opposite.

† Patten, "Premises of Political Economy," Chap. IV.

material, or isolated articles from which complements are formed, indicates a rise of the margin of production and a relative increase in the value of all kinds of services. Any fall or rise in the value of these products has the opposite effect on wages, and hence a general movement of objective values, up or down, is impossible. The proper investigation will always show a compensation to the consumer for the rise in the value of any class of goods, and a loss to correspond to the gain secured by the fall of any class of goods. The average consumer neither loses nor gains by changes in objective values unless subjective values have also been altered.

Nor can money prices vary unless the conditions for producing the material used as money change. The subjective value of the precious metals is fixed by their use in the arts. When the margin of consumption rises, men use a greater variety of goods and fewer goods of each kind, and thus their marginal utility is increased. The use of gold and silver is affected in the same way as other commodities. Assuming that a ring represents the marginal utility of gold, this ring will have a higher subjective value to a person whose margin of consumption is high than to a person with a lower margin. If we think of money in terms of the subjective value of this ring, it will be seen that changes in subjective values will not change general money prices. If the margin of consumption rises, the consumer estimates each item of the consumer's goods more highly than before, but as the subjective value of his ring has risen to a like degree, it will exchange for the same quantity of other goods as before. The loss of any increment of his goods would be more severely felt after than before the rise of the margin of consumption. In both cases, however, this loss would be measured by the amount of the gold in the ring, and money prices would remain unchanged except as the rise of the margin of consumption altered the relative value of particular classes of goods.

This rise in the margin of consumption will make many changes in the price of particular commodities. Present goods will rise in value and future goods will fall; services will rise and goods will fall; finished goods will rise and materials will fall; retail prices will rise and wholesale prices will fall; each complement of goods (a house for example) will rise and its isolated elements (the brick, timber, nails, glass, etc.,) will fall. These changes in value will be complicated by the conditions of production, especially by the fact that the increase of some commodities follows the law of constant returns, while the increase of other commodities follows that of increasing or diminishing returns. Other complications will also be created by the conditions determining the distribution of wealth. The added subjective value of present goods will cause a higher subjective value to be imputed to the ultimate factors of production—land, labor, abstinence, intelligence, etc.—and the distribution of this added value among them will depend upon their relative rates of increase. There will, therefore, be many alterations in money prices which will accompany a change in subjective values, but it is a mistake to think that high subjective values would create high money prices (if the price of everything valuable is duly considered).

So long, however, as gold is the standard of value and produced under present conditions, certain changes in prices can be predicted as the result of a rise of subjective values. Gold, or at least the marginal quantities of gold is produced by hand labor. It will therefore have its value affected by whatever affects the value of services (labor). A rise in subjective values increases the value of services and hence, there is a tendency for gold prices to fall with the rise of the margin of consumption. As services rise, retail prices and certain commodities will rise in value from the same cause and other commodities will fall in value both because of the relative rise of the first named goods and because of the general fall of money values. The downward tendencies in

values will be concentrated in wholesale prices of freely produced commodities and in land values or it might in certain cases be concentrated mainly in one of these classes of goods.

This shifting of objective values which accompanies every change in subjective values must be kept in mind when we desire to estimate the consumer's surplus at a given time. The fall in the price of a given commodity does not usually indicate an increase of the consumer's surplus but merely a rise in the value of other commodities in the production of which the ultimate agents in production are employed in different proportions than in the first article. Cheaper goods, for example, means a higher price for the services needed to utilize these goods and thus the consumer loses on the second element of expense what he gained by the fall in value of the first element. His consumer's surplus remains unchanged, or, at least, is much less than it would seem to be if it were measured as Professor Marshall measures it, by the difference between what is actually paid for an article and what would have been paid, rather than to forego its use. Measured in this way, a large part of the surplus which really goes to producers, appears to be a part of the consumer's surplus, thus making the latter fund much larger than it really is.

Professor Marshall, however, does not admit that this method of measuring the consumer's surplus necessitates any duplication of its parts, and thinks that I have not interpreted him correctly.* I regret if I have in any way misunderstood him, and yet, after carefully re-reading the "Principles of Economics," I am still of the opinion that he does not measure consumer's surplus in the way that I do, and that, judged from my standard, he duplicates in many ways the utilities of the goods consumed. To say that his consumer's surplus is larger than mine is the same as to say that the different parts of his consumer's surplus will not, when added, show the true consumer's surplus, because he duplicates the

*ANNALS, March, 1893, p. 90.

same utility in the consumer's surplus of different articles. The illustration that I used was perhaps not fitted to bring out clearly the difference between Professor Marshall's position and mine. He would not, as he has shown, measure the absolute utilities in a way that would count their utility twice. I shall, therefore, leave such extreme cases out of consideration and confine myself to other utilities where our differences are real, though not so striking.

His position can be clearly seen in his illustration concerning the consumer's surplus of coal.* "Let us," he says, "take the case of a man who, if the price of coals were ten pounds a ton, would just be induced to buy one ton annually; who would just be induced to buy two tons if the price were seven pounds, three tons if the price were five pounds, four tons if the price were three pounds, five tons if the price were two pounds, six tons if the price were one pound, ten shillings, and who, the price being actually one pound, does purchase seven tons." He concludes that in this case the economic measure of the consumer's surplus on the first ton is nine pounds, on the second ton, six pounds, and on all seven tons twenty-two and a half pounds.

I do not think that this estimate is correct, and that if all the articles consumed have their consumer's surplus measured in this way there will be many duplications. We will assume that coal is the only article whose quantity changes when its consumer's surplus is estimated. That under these conditions, the consumer is willing to pay ten pounds for one ton of coal does not show that its positive utility is measured by this sum of money. The only direct utility of coal is for heating, and yet if the consumer had only one ton to use during the year, he would not use it in this way. He would doubtless use it for cooking. If he did not cook his food, it would lose much of its utility. He pays the ten pounds to preserve this utility, and not to create new utilities. It is therefore incorrect to estimate the utility of this ton of coal

* Page 182 of the second edition of his "Principles of Economics."

at ten pounds, and also to measure the utility of the food in the same way as before,

If we suppose ten tons of coal, ten barrels of flour, ten pounds of tea, etc., to be the normal supply for a year, I understand that Professor Marshall would estimate the consumer's surplus of each article as follows: Given ten barrels of flour, ten bushels of wheat, etc., what will the consumer give for one ton of coal, two tons, etc. Then to find the consumer's surplus on the flour, he would assume that the consumer had ten tons of coal, ten pounds of tea, etc., and then he would ask what would the consumer give for one barrel of flour under these circumstances, for two barrels, etc. In a similar manner the consumer's surplus of the other articles would be obtained.

With this method of measurement many duplications are unavoidable. The price paid for the first increment of each commodity is only partly due to its positive utility. The price measures the effective utility, a part of which is due to the loss of utility, which other articles would suffer if this increment were lacking.

Suppose that the normal consumption of an individual is composed of five articles of three increments each. If these articles have equal utility and the first increment of each gives five units of pleasure the following table will illustrate the difference between the positive and effective utility of each article:

A	B	C	D	E	
5	5	5	5	5	(7)
4	4	4	4	4	(5)
3	3	3	3	3	(3)

If the quantity of the first four articles remains constant and the quantity of E is reduced, the effective utility of each increment will be shown by the figures in parenthesis. The second increment of E has a positive utility of four units, but its absence will reduce the total utility of the consumer by more than four units, because the utility of the other

articles will be reduced by its absence from complements of goods in which the second increment of E is normally a part. Its effective utility would be at least five units. The absence of the first increment of E would effect the utility of the other articles whose quantities remain unchanged still more seriously, and we can, therefore, estimate its effective utility as seven units.

In a like manner it can be shown that the effective utility of each article is greater than its positive utility as soon as its quantity is reduced below its normal amount. The effective utility of all these articles is seventy-five units. But this measurement is plainly a duplication, for the joint utility of the five articles is sixty units and not seventy-five units. If the consumer's surplus of the five articles is measured by their effective utility it will appear to be fifteen units greater than it actually is.

There is, however, another important objection to measuring the consumer's surplus from the effective utility of commodities measured in price. Future goods have no consumer's surplus. The utility of future goods is imputed to them and depends upon the utility of the present goods, into which they are changed by the process of production. Each portion of bread has a different utility to the consumer. The higher utility of the first portions remains even if a lower price allows the consumption of more bread with a lower utility. There is in this case a true consumer's surplus. When, however, the price of plows is reduced, so that more plows are used, the first plow has no more utility than the second or the last plow. The same utility is imputed to all of them.

If the lower price of plows reduces the price of bread the consumer's surplus on the bread will be increased through the use of additional quantities of bread. This surplus is, however, the only surplus created, and if we assume that there is a consumer's surplus on plows because they have fallen in price, there is a duplication.

Suppose that a plow can produce 1000 bushels of wheat and that the price of wheat would be thirty cents a bushel, if one plow could be had for forty dollars. Then if two plows could be had for thirty dollars each, the price of wheat would be twenty-nine cents a bushel, other expenses remaining the same, and with three plows in use, each costing twenty dollars, the price of wheat would be twenty-eight cents a bushel. There is now apparently a consumer's surplus of thirty dollars on plows, and another of thirty dollars on wheat. The two surpluses are, however, really but one surplus, counted twice. The consumers get only thirty dollars' worth of surplus utility more than before.

That Professor Marshall makes the consumer's surplus much larger than I do, is shown by his illustration involving the purchase of coal (page 182), to which I have already referred. The seven tons of coal cost 7 pounds, and the total utility is estimated at 29½ pounds, thus making the consumer's surplus to be 22½ pounds. The consumer's surplus is more than three times the value. It is probable that the consumer's surplus of most other articles measured in the same way would be as great. There are few articles of which ten increments are desired under ordinary conditions, for which the consumer would not pay ten times as much for the first as for the last increment, if the supply of no other article has been altered.

Instead of making the consumer's surplus three times the value, I should make the value three times the consumer's surplus. The difference in the positive utility of the different increments of most commodities though real is not great. The only exception under normal conditions would be in a primitive society, where a few articles are used to such an extent that the margin of consumption falls almost to zero. Where the variety of consumption is great, only a few increments of each kind are used, and the margin of consumption remains so high that the consumer's surplus is only a small part of the total utility of the commodities consumed.

I have no desire to exaggerate the differences between Professor Marshall's position and my own, yet, where differences arise from different methods of measuring utilities, the legitimate consequences of each method must be made plain. He measures objectively and indirectly what I desire to measure subjectively and directly. Money values merely indicate what we would lose if deprived of a given increment of a commodity but do not analyze the causes why this value is attached to the article. They measure the effective utility of each commodity, but not its positive utility, and hence the former being usually much greater than the latter, the consumer's surplus measured in the first way is much greater than if measured in the second way.

The same causes moreover that lead me to say that Professor Marshall's consumer's surplus is much larger than mine, lead me also to say that the cost of production as he measures it, is larger than I would make it. He measures cost indirectly through expense and not directly as I try to do. He is a firm adherent of the theory that the cost of production under normal conditions determines value, and hence he estimates the cost of each increment by the normal expense of procuring it, where it is the marginal increment. What the consumer would pay to get it under these conditions is made the measure of the subjective cost of its production just as what a consumer will pay for a given increment, rather than go without it, is made the measure of its utility. Both these measures fail for similar reasons. They give us a gross result without any analysis of the separate causes which, in combination, produce this result. Expense equals the reward of labor, and not its cost.

The analysis which I have given elsewhere in this paper shows why this indirect measure of cost is not correct. Many of the elements of expense are not due to any cost which the producer must undergo, but to his favorable position as producer, which enables him to demand a large compensation for the losses which he, as a consumer, bears while

giving his time to production. Any indirect measure of utility and cost through money values must make the cost of producing goods and their consumer's surplus larger than if utility and cost were measured subjectively and directly. On the other hand, the producer's surplus is much larger by the second method of measurement than by the first. The effective utility of the first increments of an article is much greater than their positive utility, while the final increments of an article have usually a higher positive than effective utility. For this reason the effective utility of a marginal increment is reduced to zero, although some positive utility remains.

In the theory of value both cost and utility are measured deductively, the former through the supposed equality of cost and utility at the margin of production, the latter through loss which the absence of an article would inflict upon its consumer. Deductive reasoning is thus substituted for psychological analysis and the difficulties are avoided which the latter method must meet. These psychological difficulties I have tried to solve. Positive and effective utilities are contrasted and the motives are analyzed which make men estimate the loss of an article differently from the gain which its possession secures. Sacrifice is shown to be psychologically different from cost. The one measures the progress society has made in reducing costs; the other measures the obstacles to the increase of utilities which society has yet to overcome. Expense, therefore, which equals the sum of these two cannot be regarded the measure of cost, but differs from it by the amount of the surplus which producers secure at the margin of production because of the interference in their consumption. Effective utility and expense are thus ideas which lie at the basis of the theory of value. Positive utility and cost are equally important in the theory of prosperity.

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HOME RULE FOR OUR AMERICAN CITIES.

It is a familiar remark that in America we have succeeded in doing nearly everything else better than govern our municipalities. All the principal cities of this country have suffered and are suffering from grave administrative scandals which have been the cause of much inquiry for some practical and effective method of reform. It is agreed that the men whom we elect to fill the executive and legislative offices of our city governments are not of that high type of citizenship which would lead us to expect ability or probity in the public service. It is said that the electors themselves are alone to blame if, knowing this and with the means of correction at hand, they permit dishonest and inefficient agents to administer their affairs. Yet this is not adding anything new to the discussion. We must recognize that the fault lies in the system and it is toward this point that all efforts for permanent reformation must be directed.

There has been much debate concerning the relations of the people to their city governments and there has been much experimentation with forms and superficialities, but—at least it is so in the East—there seems yet to have been little thought given to the relations between the States and the city governments. Just here one of the primal elements in the difficulty may perhaps be found.

The cities were in the original scheme of our government, and are still, the creations of the States. They are, with the exceptions to be spoken of later in this article, granted charters by the Legislatures of the States, which in many cases have unlimited powers, both in making the grant and in withdrawing it again or enacting amendments. It was the uniform plan earlier and it still prevails in several States, notably and probably with the most evil consequences in New York, to confer city charters by special laws. Such a

charter, though imposing obligations on the people who are to live under it, imposes none on the Legislature which grants it. It is liable to change at the pleasure of the granting power and the interferences in many cases are frequent and utterly contrary to the needs or wishes of the city. For instance, in a recent session of the Legislature of New York, a law was passed authorizing a part of Central Park in New York City to be used as a race track. Recent liberties have been taken by the Legislature with the new charter of Buffalo, wholly distasteful to the people of that city, and in every State which grants charters by special act the proceedings of each legislative session are burdened with bills affecting city affairs, these bills not infrequently being schemes to enrich cliques or individuals by obliging the city to buy private property, to create additional lucrative offices or to grant valuable franchises or business privileges. This may have been a suitable enough plan, and satisfactory in its results, in earlier times when the cities were little more than village communities and could be treated as the counties and the other local divisions of the State. But when a city comes to be a great metropolis, containing perhaps a population as large or half as large as all the rest of the State, and much larger than that of many of the less populous States, containing wealth and taxable property greater in value than all the agricultural counties combined, with widely diverging interests and requirements, the absurdity of such a system must appear plain to every one.

There has been latterly a very clearly-defined tendency to place restrictions on the Legislatures in this matter of granting and amending city charters. The constitutional conventions have taken the subject in hand and nearly all the State constitutions which have been framed since the war prohibit charter granting by special law; and provide further that these laws shall be general, specifying sometimes, as in Missouri, Kentucky and Wyoming, the number of classes into which the cities of the State shall be divided and making

a population of 1,515,301, which is greater than that of any one of twenty-nine States in the Union. The government is organized under a special charter, granted by the Legislature in 1873. This has been many times amended and supplemented by the Legislature. The Mayor is elected at the November election and holds office for two years at a salary of $10,000 a year. There are the following Executive Departments: Finance, Law, Police, Public Works, Parks, Docks, Charities and Corrections, Fire, Health, Taxes and Assessments, and Street Cleaning. The heads of the Departments are all appointed by the Mayor, usually for a term of six years, and they have very comprehensive powers. The Mayor also appoints the Board of Education, which is made up of twenty-one Commissioners, one-third chosen annually. The legislative body consists of but a single branch, called the Board of Aldermen. It is composed of thirty members, elected by districts at the general election in November for a term of two years. Before the reapportionment of last year it contained twenty-five members and the term was one year. The Aldermanic districts have the same boundaries as the State Assembly districts. A thirty-first member of the Board, who serves as presiding officer, is elected on a general ticket. The action of the Aldermen was formerly necessary in confirming the Mayor's appointments, but it is not so now. They meet at their own pleasure, usually once a week. A three-fourths vote is needed to pass an ordinance over the Mayor's veto. The city is coextensive with New York County.

Chicago, with a population of 1,099,850, derives its government from a general law. At an election in 1872, soon after the law was passed, a vote was taken on the question of incorporation, and the people of the city decided to incorporate. This law is but a groundwork upon which the local legislative authority has built a government. The Mayor is elected for two years. He presides at all meetings of the City Council, but has no vote except in case of a tie. He appoints, by and with the advice

and consent of the Council, the heads of the following departments: Finance, Public Works, Buildings, Law, Health, Police, Fire and several inspection bureaus. These officers, like the Mayor, serve for two years. The Mayor also appoints a Board of Education, consisting of fifteen members, likewise subject to the approval of the Council. He has a veto on all bills and appropriation items. The legislative authority of the city is exercised by a single Council of sixty-eight Aldermen. The city, until 1889, comprised twenty-four wards. In that year much territory was annexed and ten new wards were added. There are two Aldermen from each ward, who serve for a term of two years, one half elected each year at the general municipal election in April. The Council has liberal powers. It may by a two-thirds vote reinstate an officer whom the Mayor has removed. It may and does refuse confirmation to his appointments, issues licenses, grants all franchises and fixes salaries. Ordinary bills are passed by a majority vote and a two-thirds vote passes over the Mayor's veto. The Council, having created the departments and given form to the government, can at any time abolish or amend.

Philadelphia with a population of 1,046,964, in 1890, has a government which includes all of Philadelphia County, the two being united and co-incident. The city administration had come to be very corrupt and discreditable when Governor Hartranft in his message in 1876 advised a State Commission to devise a plan of municipal reform. The Legislature authorized such a commission, consisting of eleven members appointed by the Governor. They drew up a report in 1877 and submitted a bill to the Legislature. It was sent to a committee, but because of various hostile influences never found its way out. This was the beginning of what has since been very generally known as the "Bullitt Bill," called after the man who was most influential in framing it. It appeared again in the Legislature during the session of 1883, when it got so far along as to pass the Senate, but it failed in the House. There was a very strong

sentiment in the city in favor of the bill or something like it, and the contest was continued in the next Legislature, which met in 1885. It finally in that year passed both Houses, was approved by the Governor and went into operation in April, 1887. The "Bullitt Bill" is a general act "to provide for the better government of cities of the first class," which in effect is special inasmuch as Philadelphia is the only city in the State of this class. The bill reformed only the Executive Departments. Before 1887 there were 27 departments of government in Philadelphia, each department supervised by committees of Councils. They were not responsible to any central head and each managed its business in its own way. It was a system which was not only cumbersome and extravagant, but it afforded many opportunities for dishonesty. Instead of 27 departments the new law provided for nine:— Public Safety, Public Works, Receiver of Taxes, City Treasurer, City Controller, Law, Education, Charities and Correction, and Sinking Fund Commission. The Mayor is elected for a term of four years. He issues an annual message, calls special meetings of the city legislature and appoints and removes the heads of those departments with whose appointment he is vested. He has a veto on all bills and appropriation items. The chief officers in his cabinet are the Director of Public Safety and the Director of Public Works, who are appointed by the Mayor, by and with the advice and consent of Select Council, and are directly responsible to him. The city legislature called Councils, is made up of two branches, Select Council and Common Council. These bodies have equal powers in legislation, Select Council in addition, giving "advice and consent" to the Mayor's appointments. Each elects its own presiding officer from among its own members. The organization of Councils is quite ancient. They meet in separate chambers and do business as two distinct yet complementary bodies. The city as now divided has 35 wards.* One member of Select Council

*Two new wards were authorized by popular vote at the election in November, 1892.

is elected from each ward, that branch therefore now contains 35 members. Their terms are three years, one-third being chosen each year at the municipal election in February. Members of the Common Council are also elected on ward tickets, each ward being entitled to one representative to every 2000 tax-paying inhabitants. Some wards thus have but a single member while others have as many as seven. The chamber as now constituted contains 117 members. They are elected for terms of two years, one half being chosen one year and one half the next.

Brooklyn, a city of 806,343 inhabitants, was recently given a new charter by the State Legislature, which, like the charter of New York is, however, liable to constant alteration by special act. The government by this "reform" charter was very much concentrated. Enlarged powers were given to the Mayor, until Brooklyn to-day stands as the most distinctive type of centralized city government. The Mayor is elected every two years. He has sole and exclusive power in the appointment and removal of the officers of all except two of the departments, including the City Treasurer. These departments are as follows, the heads of the first two, the Comptroller and the Auditor, alone being chosen by the people: Finance, Audit, Treasury, Collection, Arrears, Law, Assessment, Police and Excise, Health, Fire, Buildings, City Works, Parks and Public Instruction. The appointments are for two years, the terms thus coinciding with the Mayor's so that he can organize a sympathetic administration. There is exception made for the Board of Education, which is composed of 45 members, serving for three years, fifteen appointed every year. The Mayor has the veto power in all city legislation. The legislative power is also concentrated. There is a legislature of but a single chamber and that composed of but nineteen members. The city is divided into twenty-eight wards which are arranged into three Aldermanic districts. Four Aldermen are elected from each district and seven at large on a general ticket. This body is called the Board of Aldermen

or Common Council. The members hold office for two years and their terms all expire at the same time. Many powers which would otherwise belong to the Common Council under the present scheme of government rest with the Board of Supervisors of Kings County, twenty-eight members of which are elected in Brooklyn.

St. Louis cares for 451,770 people by a system which has generally been looked upon as a model among American city governments. The constitution of Missouri, adopted in 1875, forbade special legislation affecting cities and provided in separate terms for St. Louis. The city was at that time included in St. Louis County. By a process, to be described more fully on a subsequent page, the city, taking advantage of its constitutional privileges, in 1876, elected a Board of Freeholders, and by popular vote separated itself from the county and adopted a new charter. This charter is still in force. It divides the city into twenty-eight wards. The Mayor holds office for four years and though given large appointive powers is hedged about in the exercise of them by many restrictions. He appoints a Board of Public Improvements of five members, the President of which is elected by the people, a Board of Assessors, the President of which is elected by the people, a Board of Health, a Chief of the Fire Department, five Commissioners of Charitable Institutions, a City Counselor, and several minor officials. These officers are chosen by the Mayor at the beginning of the third year of his term, and in their appointment he must have the concurrence of the Council, the upper branch of the city legislature. By postponing the appointments until the middle of the Mayor's term it is hoped to secure a much more independent exercise of judgment and avoid many well-known evils and abuses, such as rewarding personal friends for political service. The Police Department is independent of the city government. It is entirely under the control of a Board of Commissioners appointed by the Governor of the State, of which Board, the Mayor is *ex officio* a member. The legislature is called the Municipal Assembly.

It is bi-cameral, consisting of a Council and House of Delegates. The Council is composed of thirteen members, who are chosen for four years, upon a general ticket. The House of Delegates contains twenty-eight members, one member from each ward, chosen upon ward tickets for terms of two years. Each chamber elects its own presiding officer and may pass bills over the Mayor's veto upon a two-thirds majority.

Boston, with almost as many inhabitants as St. Louis, 448,477, derives its government from an old charter which the Legislature of Massachusetts has many times amended and supplemented by special act. The city is divided into twenty-five wards, and the chief agents of government are a Mayor and a bi-cameral Council, whose branches are a Board of Aldermen and a Common Council. The Mayor is elected every year at the municipal election in December. He is vested with very extensive powers. He appoints, subject to the confirmation of the Board of Aldermen, as members of permanent boards or as single heads of departments, as many as 107 persons.* There are no less than forty separate departments and executive bureaus, exclusive of the Board of Police, which is appointed by the Governor, and the members of the School Committee and the Street Commissioners, who are elected by the people. The Mayor is vested with the appointment of the officers in the following departments: Fire, Survey and Inspection of Buildings, Health, Public Institutions, Water, Parks and Assessment, besides a City Treasurer, City Auditor, City Solicitor, City Collector, Overseers of the Poor, Directors of the Public Library, City Hospital Trustees, Sinking Fund Commissioners, and various minor officers and superintendents. All are under the general supervision of the Mayor, thus securing a responsible administration. The Mayor has the veto power but the Council may overrule it by the usual two-thirds vote. The upper branch of the City Council, the Board of Aldermen,

*"The City Government of Boston," James M. Bugbee, Johns Hopkins Series, Fifth Series, No. iii.

contains twelve members, one elected annually from each of the Aldermanic districts into which the city is divided; the Common Council, or the lower branch, has seventy-five members, also elected annually, each of the twenty-five wards being entitled to three representatives.

The city of Baltimore, with a population of 434,439, is given a number of guaranties respecting the form and establishment of its government by the constitution of Maryland. This basic scheme has been added to and filled out to its present form by special acts of the State Legislature. At the session of 1890 alone, sixty-seven laws were passed directly affecting the city of Baltimore. The city is divided into twenty-two wards. The Mayor divides the responsibility of government with a City Council of two branches. He is elected for two years, and makes appointments subject to the advice and consent of a convention of the two branches of the City Council. A three-fourths majority of the Council is necessary to pass bills over his veto. The principal city officers are the Comptroller, City Counselor, City Solicitor, a Commissioner of Streets, a Board of Fire Commissioners, a Board of Health, a Harbor Board, a Board of Park Commissioners, a Water Board and a City Collector. The Mayor, either officially or *ex officio*, is a member of several of these boards. The schools are in charge of a Board of Commissioners, one from each ward, elected by the two branches of City Council in joint convention. The Police Department is under State control, three commissioners being elected jointly by the two Houses of the General Assembly. The two branches of Council are called the First Branch and Second Branch. The First Branch is made up of twenty-two members, chosen annually, one from each ward. The Second Branch contains eleven members, one to represent every two contiguous wards. The members of this branch serve for a term of two years. One of the rights bestowed upon the city by the State constitution is that of a popular vote on all propositions to create municipal indebtedness. A six million dollar loan ordinance was voted

upon and approved by the people at the election November 8, 1892.

The present government of San Francisco, a city with 298,997 inhabitants, dates from the consolidation act of 1856. This has been amended and re-amended at various times, by special act prior to the adoption of the State constitution of 1879, when special legislation was prohibited, and since that time by so-called general laws applying to all cities in a class to which only San Francisco has sufficient population to belong. There is a consolidated government known as the city and county of San Francisco, and the district, for purposes of administration, is divided into twelve wards. The governing authority is vested in a Mayor and a single-chamber legislature known as a Board of Supervisors. This Board has twelve members, one from each ward, nominated in a general city convention and elected on a general ticket. They serve for a term of two years. Each Supervisor must be a resident and elector in the ward for which he is elected. There are no other qualifications. The Mayor's term is also for two years, the election for all local officers occurring in the fall at the same time as the general election. The city departments are in charge of committees of the Board of Supervisors. A Superintendent of Public Streets, Highways and Squares is elected by the people. The Mayor's field of authority is on all sides closely bounded by the Supervisors. Seven votes in the Board of Supervisors will pass bills and nine votes will pass them over the Mayor's veto. The Mayor cannot veto parts of appropriation bills and is vested with few appointments. He is *ex officio* President of the Board of Supervisors and is usually present to preside, but has no vote.

In this brief comparative survey of the governments of these eight largest cities in the United States certain facts compel notice. In the first place, it is to be observed that all the cities except one are governed by charters or codes received from the State Legislatures, these charters or codes being constantly subject to change by the

same authority which made the original grant. These changes may be made in some cases by special acts, in others by so called general acts which apply to all cities of a certain class in the State, to which class, however, usually only one city in the State is qualified to belong. There are three cities in the group whose Police Departments are in control of the State—Boston, Baltimore and, strangely enough, the one city which has the most freedom in other regards, St. Louis. There is another fact to be noted, the tendency to concentration of power in the Mayors which is to be observed in recent years in nearly all the cities in the group, unless we except San Francisco. This tendency is especially plain in Brooklyn, Philadelphia, Boston and New York, where the Mayors have absorbed vast privileges previously vested in the city legislatures. Great need has been felt of a more unified and more responsible government. With this end in view, the Executive Departments have been given an increase of authority. The chief officers are made appointive by the Mayor and are responsible to him for the performance or non-performance of their duties.

In the same way there has been a tendency toward a city government which shall, as nearly as may be, resemble the national government. The author of the "Bullitt Bill," Philadelphia's reform charter, when the bill was before the Pennsylvania Legislature, gave as one of his chief reasons in advocating it that its adoption would establish a scheme of city administration modeled after the Federal system. It is thus that our city governments are coming to have legislatures with two chambers; Mayors with responsible cabinets, which they appoint, subject to the confirmation of the upper chamber of the legislature; Mayors with the power of vetoing not only all ordinances, but also single items of appropriation bills; and Mayors whose terms of office are long enough to enable them to build up a strong and definite administration. The similarity is most marked, perhaps, in Philadelphia. It is very plain here in the Executive Department, but especially so in the Legislature; the members of

one branch representing districts, an equal number coming from each district, the members of the other representing the people and apportioned to the districts according to population.

There is another fact to be noted, that, though public affairs in all of these cities are administered with less efficiency than they should be, one of them has advanced much farther than the others on the way toward good methods and practical reform. This is St. Louis, which, by the constitution of Missouri framed in 1875, was given rights of self-government not previously possessed by any city in the country. The city, without the slightest intervention of the State Legislature, could elect a Board of Freeholders, if it chose, and the latter in manner like a State Constitutional Convention should frame a charter to be submitted to the people of the city for approval or rejection. As this plan has been adopted since in California and Washington and is likely soon to extend into other States, it is our purpose here to trace its origin and growth, first in Missouri and then in the States of the Pacific Coast.

The Constitutional Convention which was to inaugurate this revolution in our American municipal system met at Jefferson City, May 5, 1875 and continued its deliberations until the following August. The government of St. Louis had been notoriously bad for a long time; the State Legislature had become very meddlesome and there was a general feeling in favor of some radical change. The St. Louis delegation went into the Convention determined to secure from the country members some satisfactory concessions on this subject. About a week after the Convention met, Mr. Joseph Pulitzer, of St. Louis, introduced a resolution that municipalities, having a population of 100,000 and over, should be regulated by a "fundamental constitutional charter" which should not be subject to yearly change by the Legislature unless such change be proposed by the concurrent action of two-thirds of the members of the city Council and the Mayor, and be endorsed likewise by a two-thirds vote of

the people at a special election. On May 13 the St. Louis delegation was appointed a "Committee on St. Louis Affairs" to consider and report on all matters having special reference to that city, and to this committee Mr. Pulitzer's resolution was referred. It was also felt that the city should be separated from St. Louis County and that the two governments should be operated singly. The proposition to separate the city and the county was one which the tax-payers had been urging for many years. The city, which naturally contained the most taxable wealth, for a long time had been paying to make public improvements beyond the city limits which could be of no direct benefit to the people of the city and in which they could not be expected to have any interest.

In June the scheme for solving these difficulties began to take the form which it later assumed,—that the city should elect thirteen of its citizens a Board of Freeholders to propose a "scheme" for separating the city and county governments and to frame a city charter, both the "scheme" and the charter to be submitted to direct popular vote. Amendments to this charter were to be made not oftener than once in two years by proposals submitted by the city authorities and ratified by a three-fifths vote of the people. On July 29, the chairman of the St. Louis delegation reported the plan his committee had agreed to which was in substantially its present form. There was, as it was expected there would be, much opposition from the country members of the Convention. The scheme was spoken of as "unwise and vicious." One member was willing to vote for it but wanted this amendment: "Provided that this section shall not be so construed as to prohibit the General Assembly from amending, altering or repealing said charter so adopted whenever it may be necessary for the public interest." The burden of the opposition, judging by the speeches which ensued, sprang from a fear that the city, being released thus from the control of the Legislature, might set up on its own account some kind of an independent government. It was contended on the other side that the plan

would benefit the State at large as well as St. Louis, in that it would relieve the Legislature of the consideration of purely local matters which at each session consumed a great deal of time and interfered with the discharge of other business.

The following substitute amendment was finally adopted, that "Notwithstanding the provision of this article the General Assembly shall have the same power over the city and county of St. Louis that it has over other cities and counties in this State," and on July 30, the scheme as a whole was adopted by a vote of 53 ayes to 4 noes.

A subsequent section contained a general provision extending the privilege of charter-making independent of legislative interference to any city in the State "having a population of more than 100,000."*

St. Louis elected thirteen freeholders, in accordance with the privilege granted it, soon after the constitution went into effect. These freeholders had the duty not only of framing a charter, but of preparing a "scheme" for

* ARTICLE IX. Section 16. Constitution of Missouri.

Any city having a population of more than one hundred thousand inhabitants may frame a charter for its own government, consistent with and subject to the constitution and laws of this State, by causing a board of thirteen freeholders, who shall have have been for at least five years qualified voters thereof, to be elected by the qualified voters of such city at any general or special election; which board shall, within ninety days after such election, return to the chief magistrate of such city a draft of such charter, signed by the members of such board, or a majority of them. Within thirty days thereafter, such proposed charter shall be submitted to the qualified voters of such city at a general or special election, and if four-sevenths of such qualified voters voting thereat shall ratify the same, it shall, at the end of thirty days thereafter, become the charter of such city, and supersede any existing charter and amendments thereof. A duplicate certificate shall be made, setting forth the charter proposed and its ratification, which shall be signed by the chief magistrate of such city and authenticated by its corporate seal. One of such certificates shall be deposited in the office of the Secretary of State, and the other, after being recorded in the office of the Recorder of Deeds for the county in which such city lies, shall be deposited among the archives of such city, and all courts shall take judicial notice thereof. Such charter, so adopted, may be amended by a proposal therefor, made by the law-making authorities of such city, published for at least thirty days in three newspapers of largest circulation in such city, one of which shall be a newspaper printed in the German language, and accepted by three-fifths of the qualified voters of such city, voting at a general or special election, and not otherwise; but such charter shall always be in harmony with and subject to the constitution and laws of the State.

separating the governments of St. Louis City and St. Louis County, for the ascertainment of their respective boundaries and the adjustment of their relations. The "scheme" and charter were submitted to the people August 22, 1876, with the following announced result:

New Charter, . . .	Yes, 11,858	No, 11,300
Separation Scheme, . .	Yes, 11,725	No, 14,142

These returns defeated the "scheme," but charges of fraud were made and the case was taken into the Courts. After judicial investigation the correct figures were decided to be:

For Charter, .	11,309	For Scheme, .	12,181
Against Charter,	8,088	Against Scheme,	10,928

This charter has been recognized generally by authorities on city government as the best American model for charter-makers. The city, however, as will appear after a consideration of the wording of the constitution, is still bound in some measure by the State Legislature. It is not very definitely settled just what powers the Legislature would have in the case. It has not chosen to exercise them arbitrarily and the question has not assumed as important a phase as in California. It was decided in *Ewing vs. Hoblitzelle*,* a case which reached the State Supreme Court at the October term, 1884, that a law passed by the Legislature governing elections in cities of more than 100,000 inhabitants applied to St. Louis. It was contended that the city, by the adoption of its own charter, had been freed from State control on this subject, but the court held otherwise and said that by this provision in the constitution St. Louis had not been created an *imperium in imperio*. The opinion was offered, however, that there could be no constitutional objection in permitting voters of a city to frame and adopt a charter for its government if this was done in subordination to the constitution and the laws of the State.

The only other city in the State with a population of more than 100,000, and therefore privileged to frame its own

* 85 Mo. p. 64.

charter, is Kansas City. By the census of 1890 this city contained 132,716 inhabitants, 13,048 of whom, however, the State Supreme Court has since decided reside outside the municipal limits. A "Freeholder's Charter" was adopted at a special election held April 8, 1889, by a vote of 3,439 for and 771 against. The charter went into effect May 9, 1889, and, the Mayor writes, "has proved very satisfactory."

The experience of St. Louis was reported to be so fortunate that, when a convention met in 1879 to frame a new constitution for California, an effort was made to secure the same self-governing privileges for San Francisco. The scheme appeared in the Convention on January 16, 1879, when Mr. Hager, the Chairman of the Committee on City, County and Township Organization, reported twenty-six articles, one of them very similar to the provision in the constitution of Missouri, allowing cities of over 100,000 population to elect freeholders and frame their own charters. When the proposition came up for debate there was immediate opposition, as is shown on the records of the Convention, by a motion to "strike out." The regulation applying only to cities containing a population of 100,000, and San Francisco being the only city in the State with so large a population, the discussion assumed a certain sectional character. The San Francisco delegates, for the most part, approved of the new idea as likely to be the means of reforming the city government. The charter of San Francisco at this time was a volume of 319 pages of fine print. Originally it had covered only thirty-one pages, but there were over a hundred supplemental acts which led to many evils and much confusion. Many of these acts, it was charged, had been passed in the interests of single individuals and corporations. The city was said to be very corruptly governed. It was under the management and administration of twelve men, composing a Board of Supervisors, seven of whom could send any measure to the Mayor, and nine of whom could do business over his veto. It was not unusual for nine men in the Board to form a combination and this clique, called the "solid

nine," ruled the city. The laws which were responsible for this condition of things it was further charged had been framed by about a half a dozen men who took them up to Sacramento and had them adopted by the Legislature without the wish, knowledge or consent of the people.

Chairman Hager in defence of the new charter scheme said that personally he was willing to extend the privilege to cities containing 10,000 or 20,000 people if the convention was agreed. As he had originally drawn up this section it was made to include all cities, but in committee, the limit was placed at 100,000. It was admitted that the idea was copied almost exactly from the constitution of Missouri, and the successful experience of the city of St. Louis was pointed to in the debates. On the other hand the opposition professed great fear that San Francisco would break loose from the rest of the State and set up a free government. "This is the boldest kind of an attempt at secession," said one speaker, and another offered an amendment that the city should receive from the State "all the privileges and consideration accorded to the most favored nations," and that the Legislature should provide "a duly accredited minister as representative of the State in the said city." The opposition was so great in truth that the friends of the scheme were compelled to accept an amendment that, after being voted on by the people, the charters should be submitted to the State Legislature, to be approved or rejected, as a whole, however, without power of alteration or amendment.*

* This section as adopted was as follows:

ARTICLE XI. Section 8. Constitution of California.

Any city containing a population of more than one hundred thousand inhabitants may frame a charter for its own government, consistent with and subject to the constitution and laws of this State, by causing a Board of fifteen freeholders, who shall have been for at least five years qualified electors thereof, to be elected by the qualified voters of such city, at any general or special election, whose duty it shall be, within ninety days after such election, to prepare and propose a charter for such city, which shall be signed in duplicate by the members of such Board, or a majority of them, and returned, one copy thereof to the Mayor, or other chief executive officer of such city, and the other to the Recorder of Deeds of the county. Such proposed charter shall then be published in two daily papers of general circulation in such city for at least twenty days, and within not less than thirty days after such publication it shall be submitted to the qualified electors of such city at

The friends of good government in San Francisco early took advantage of the opportunity offered them by the new constitution to secure a new charter. The Board of Election Commissioners of the city, on March 4, 1880, called a special election for March 30, 1880, to choose fifteen freeholders, who should "prepare and propose" a charter. The charter which they framed makes a book of 192 pages, and the scheme of government proposed was modeled after the national system. The city legislature was to consist of two boards called the Board of Aldermen and the Board of Assistant Aldermen, one elected by general ticket, the other by ward tickets, both, however, of the same size, each containing but twelve members. The charter, like the Federal and State constitutions, divided the government into three departments, "Legislative," "Executive" and "Legal." The Mayor was to hold office for four years and have increased powers of appointment. The city departments were to be in charge of boards, the members of which were to be chosen by the Mayor, subject to the confirmation of the upper chamber of the city legislature. The Mayor could suspend any officer of the city and county upon allegations of malfeasance and failure in the discharge of duty, the Board of

a general or special election, and if a majority of such qualified electors voting thereat shall ratify the same, it shall thereafter be submitted to the Legislature for its approval or rejection as a whole, without power of alteration or amendment, and if approved by a majority vote of the members elected to each house, it shall become the charter of such city, or if such city be consolidated with a county, then of such city and county, and shall become the organic law thereof, and supersede any existing charter and all amendments thereof, and all special laws inconsistent with such charter. A copy of such charter, certified by the Mayor or chief executive officer, and authenticated by the seal of such city, setting forth the submission of such charter to the electors and its ratification by them, shall be made in duplicate and deposited, one in the office of the Secretary of State, the other, after being recorded in the office of the Recorder of Deeds of the county, among the archives of the city; all courts shall take judicial notice thereof. The charter so ratified may be amended at intervals of not less than two years, by proposals therefor, submitted by legislative authority of the city to the qualified voters thereof, at a general or special election held at least sixty days after the publication of such proposals, and ratified by at least three-fifths of the qualified electors voting thereat, and approved by the Legislature as herein provided for the approval of the charter. In submitting any such charter, or amendment thereto, any alternative article or proposition may be presented for the choice of the voters, and may be voted on separately without prejudice to others.

Aldermen to sit later as an impeaching court. This charter was submitted to popular vote at a special election held September 8, 1880, but was rejected.

Another Board of Freeholders was chosen in 1882, and another charter submitted to the people. This government was in the main like the one proposed in 1880, except, that the powers of the Mayor were diminished, and offices, before to be filled by appointment, were made elective by the people. An election was held March 3, 1883, and this charter was likewise defeated. A third Board of Freeholders was elected and a third charter submitted to the people of the city on April 12, 1887. The general form of the government proposed in that year, did not differ radically from that of 1880 and 1883, though it more closely resembled that of 1880, in that it put greater trust in the Mayor in the matter of appointments. This the people also rejected. The vote at these three elections was as follows:

	September 8, 1880.	March 3, 1883.	April 12, 1887.
Against, ...	19,143	9,368	14,905
For, ...	4,144	9,336	10,896
Majority against, . . .	14,999	32	4,009

The heavy adverse majority in 1880 was thought to have been attributable to a provision in the charter for removing the cemeteries, which met with the opposition of influential church bodies and several secret societies. The second charter, against which there was such a slight majority was generally believed to have been counted out. All three met with the active opposition of the "City Hall Gang," which has been such a potent factor for corruption in San Francisco for many years.*

* "The freeholders tried to give us too good a government in each charter. More moderate reforms would have been accepted."—MR. HORACE DAVIS, in a letter from San Francisco.

Thus San Francisco, after three attempts to remove herself from under the influence of the State Legislature, has in each instance failed. There has been a recent movement to elect another Board of Freeholders, who should frame a fourth charter, and it is not unlikely that the effort may soon succeed.

In spite of San Francisco's experience, so well satisfied were the people of the State that this was the correct principle in city charter making, that the Legislature at the session of 1886, proposed an amendment to the constitution extending the same privilege to all cities containing more than 10,000 inhabitants. This amendment was submitted to the people of the State and adopted at a special election held April 12, 1887.

Los Angeles was the first of the smaller cities to take advantage of the new privilege. Soon after the amendment was passed steps were taken in the city to elect a Board of Freeholders. The result was a charter which provided for a very concentrated government, and which upon being submitted to the people, was defeated by a large majority. On May 31, 1888, another Board of Freeholders was elected, who framed a second charter, which was approved at the polls on October 20, 1888, by the following vote: For, 2,642; against, 1,890, and which is the present charter of the city. Upon being submitted to the Legislature the latter gave its approval January 31, 1889. A letter from the Mayor's office, says that there exists in the city "a decided feeling in favor of this mode of framing a charter."

On December 10, 1887, the people of the city of Oakland elected fifteen freeholders, who framed a charter which was approved by the people at an election held November 6, 1888. It was confirmed by the Legislature February 14, 1889.

Stockton chose a Board of Freeholders May 29, 1888, who reported a charter on August 27, which was published according to the constitutional requirement, and approved by the people at a special election November 20, 1888. It was adopted by the Legislature March 2, 1889.

San Diego elected freeholders December 5, 1888. On January 10, 1889, the charter was completed and was signed by all the members of the board. The people approved it on March 2, and on March 16 it was ratified by the Legislature, only a little more than three months after the election of the freeholders. This charter is still in force though plans are on foot to radically amend it.

All the cities which had the requisite population framed new charters, as permitted by the constitution, except San Jose and Sacramento. The latter city recently took steps in this direction and a "Freeholders' Charter" was adopted at an election held May 17, 1892. The vote was, for the charter, 1,598, and against it, 741, an exceptionally light vote as the total registration in the city exceeds 7000.

The four charters adopted by the Legislature at the session of 1889, were all passed by joint resolution. It was held in the case of Los Angeles that this kind of passage was not sufficient, but, as with laws, the Governor should have the power of veto. In *Brooks vs. Fischer*,* the Supreme Court denied the contention that the law-making power and the Legislature were one and the same thing. The constitution stated that the charters should be "submitted to the Legislature" and it was held that the Governor though a part of the law-making authority of the State was no part of the Legislature.

The Legislature at the session of 1889 proposed by another constitutional amendment to still further extend the privilege of municipal self-government giving the right to frame its own charter to any city in the State containing more than 3,500 inhabitants. This amendment was adopted by the people of the State November 4, 1890, by a large majority, thus extending the right to fourteen new cities.

Very soon a question arose as to what powers over a city were possessed by the Legislature after the city had framed and adopted its own charter. By what looks to have been an oversight on the part of the Convention it is stated in the

* 79 Cal. p. 173.

Constitution, Section 6 of Article XI., relating to Cities, Counties and Towns, that "Cities and towns heretofore or hereafter organized and all charters thereof framed or adopted by authority of this constitution shall be subject to and controlled by general laws." This is directly in conflict with the spirit of Section 8 of the same Article conferring the privilege of making their own charters upon cities of the requisite population. This question reached a decision in the Supreme Court in September, 1890, in the case of *Davies vs. City of Los Angeles.** The Legislature had passed a general State law with regard to the opening and widening of city streets. It was held that Los Angeles having separate provisions concerning this subject in its charter was exempted from the operations of the law. The court failed to take this view of the case and in the course of its opinion said: "A charter like the one under which the City of Los Angeles exists is subject to general laws, and a statute like the one now attacked, is a general law within the meaning of the constitution. It is useless to discuss the propriety of allowing the Legislature to interfere by general laws with the local affairs of a city. The constitution so provides in plain terms and so far as the courts of the State are concerned this must settle the controversy. If the power given the Legislature to enact laws of this kind is an evil affecting the rights of the city government, the remedy is by amendment of the constitution."

This remedy, acting upon the advice of the court, the people of the cities affected immediately sought. Los Angeles and San Diego have felt this "general law" restriction very keenly. In San Diego, all street work must be done under State law, the city police court has been shorn of its jurisdiction and the Board of Education must operate under State authority. All the cities, in fact, found that the restriction in large part nullified the advantages of the new system, and united in a demand to the Legislature for a constitutional amendment. This amendment was adopted

* 86 Cal. p. 37.

by the Legislature March 19, 1891. The language of the amendment is that the charter of the city "shall become the organic law thereof and supersede any existing charter and all amendments thereof and all laws inconsistent with such charter." The constitution heretofore had read "and shall . . . . supersede any existing charter and all amendments thereof and all *special* laws inconsistent with such charter." It is thought this omission of the word "special" will satisfy the needs of the case. The amendment was adopted by the people at the election November 8, 1892, by a vote of 114,617 for and 42,076 against, and the cities now hope for an era of fuller emancipation.*

* The section as amended now reads:

ARTICLE XI. Section 8. Constitution of California.

Any city containing a population of more than three thousand five hundred inhabitants may frame a charter for its own government, consistent with and subject to the constitution and laws of this State, by causing a Board of fifteen Freeholders, who shall have been for at least five years qualified electors thereof, to be elected by the qualified voters of said city at any general or special election, whose duty it shall be within ninety days after such election, to prepare and propose a charter for such city, which shall be signed, in duplicate, by the members of such Board, or a majority of them, and returned, one copy to the Mayor thereof, or other chief executive officer of such city, and the other to the recorder of the county. Such proposed charter shall then be published in two daily newspapers of general circulation in such city, for at least twenty days, and the first publication shall be made within twenty days after the completion of the charter; *provided*, that in cities containing a population of not more than ten thousand inhabitants such proposed charter shall be published in one such daily newspaper; and within not less than thirty days after such publication it shall be submitted to the qualified electors of said city at a general or special election, and if a majority of such qualified electors voting thereat shall ratify the same, it shall thereafter be submitted to the Legislature for its approval or rejection as a whole, without power of alteration or amendment. Such approval may be made by concurrent resolution, and if approved by a majority vote of the members elected to each house, it shall become the charter of such city, or if such city be consolidated with a county, then of such city and county, and shall become the organic law thereof, and supersede any existing charter and all amendments thereof, and all laws inconsistent with such charter. A copy of such charter, certified by the Mayor or chief executive officer; and authenticated by the seal of such city setting forth the submission of such charter to the electors, and its ratification by them shall, after the approval of such charter by the Legislature, be made, in duplicate, and deposited, one in the office of Secretary of State, and the other, after being recorded in said Recorder's office, shall be deposited in the archives of the city, and thereafter all Courts shall take judicial notice of said charter. The charter, so ratified, may be amended at intervals of not less than two years by proposals therefor, submitted by the legislative authority of the city to the qualified electors thereof, at a general or special election, held at least forty days after the publication of such proposals for twenty days in a daily newspaper of general circulation in such city, and ratified by at least three-fifths

The Convention to frame a constitution for the State of Washington which met at Olympia July 4, 1889, drew largely from the constitution of California, and among the features which it borrowed was the section giving cities permission to frame their own charters. The experience of St. Louis was also known and one member in the debates spoke in high terms of this provision of the constitution of Missouri. On July 22 the Committee on County, City and Township Organization reported the scheme to the Convention. In the first report it was to apply to cities containing over 25,000 population. The Board of Freeholders was to consist of fifteen persons as in California, but differing from the system in that State, the charter if accepted by the people, was to go into force at once without ratification by the Legislature. The section met with much discussion in the Convention. There was a motion to "strike out" and to leave charter making to the Legislature. The maker of this motion gave as his reasons that abuses would arise should the people be granted so democratic a privilege. Another speaker doubted if there was a city in the Territory with a population of 25,000, and wanted the figures reduced to 15,000. Others wanted the limit placed as low as 5,000. A motion was heard in favor of allowing any city in the new State, no matter what its population, to frame its own charter. The debate was very heated and the contending elements finally compromised on 20,000. On final passage there were 38 votes in favor of the Section and 24 against.*

of the qualified electors voting thereat and approved by the Legislature, as herein provided for the approval of the charter. In submitting any such charter, or amendments thereto, any alternative article or proposition may be presented for the choice of the voters, and may be voted on separately without prejudice to others.

*This provision as it occurs in Art. XI. Section 10, of the constitution of the State of Washington is as follows:

Any city containing a population of twenty thousand inhabitants, or more, shall be permitted to frame a charter for its own government, consistent with and subject to the constitution and laws of this State, and for such purpose the legislative authority of such city may cause an election to be had, at which election there shall be chosen by the qualified electors of said city, fifteen freeholders thereof, who shall have been residents of said city for a period for at least two years preceding

By the census of 1890 only two cities in the State had reached the requisite population, Seattle and Tacoma. Spokane, however, lacked but little of the prescribed limit. Seattle adopted a "Freeholder's Charter" October 1, 1890, by a vote of 2,507 for and 502 against. The new government not being suitable for a city of such small size the charter was materially amended March 7, 1892. In spite of this, however, the City Comptroller writes that the "plan is acknowledged to be better than depending upon the Legislature." Tacoma adopted a "Freeholders' Charter" October 19, 1890, by a vote of 2,723 for the charter and 726 against. The Mayor writes that the new "is felt to be superior to the old method."

In these three States, Missouri, California and Washington, we thus find the beginning of a movement to make our cities self-controlling and self-reliant governments. In two, Missouri and Washington, the cities make their own charters, without in the least consulting the State Legislatures. In the third, California, the Legislature, though passing finally upon the charters, must either approve or disapprove as a whole. Approval by the Legislature up to this time has been given without question and it is looked upon as not much more than a formality. In all three States,

their election, and qualified electors, whose duty it shall be to convene within ten days after their election, and prepare and propose a charter for such city. Such proposed charter shall be submitted to the qualified electors of said city, and if a majority of such qualified electors voting thereon ratify the same, it shall become the charter of said city, and shall become the organic law thereof, and supersede any existing charter, including amendments thereto, and all special laws inconsistent with such charter. Said proposed charter shall be published in two daily newspapers published in said city, for at least thirty days prior to the day of submitting the same to the electors for their approval, as above provided. All elections in this section authorized shall only be had upon notice which notice shall specify the object of calling such election, and shall be given for at least ten days before the day of election in all election districts of said city. Said elections may be general or special elections, and except as herein provided shall be governed by the law regulating and controlling general or special elections in said city. Such charter may be amended by proposals therefor, submitted by the legislative authority of such city to the electors thereof at any general election after notice of said submission published as above specified, and ratified by a majority of the qualified electors voting thereon. In submitting any such charter, or amendment thereto, any alternate article or proposition may be presented for their choice of the voters, and may be voted on separately without prejudice to others.

however, there is uncertainty as to the exact relation which such a city bears to the State, and doubt as to what extent a Legislature can legislate for a city after the latter has adopted its own charter. This question has assumed important proportions in California, and though an effort was made to harmonize the contending interests by constitutional amendment at the election in November last, it is not clear that such a result has yet been reached. The difficulty would seem to be an inherent one and it will not be likely to disappear until the divorce of State and city is complete.

This movement to separate our city and State governments which has reached the stage of practical experiment in the three States mentioned is, in truth, only the development of all the best of the later tendencies in thought regarding this subject. Such a solution of the problem as this has been looked upon by all recent competent students of municipal government as the only true plan of reform. The subject was given careful attention by commissions in two States, New York and Pennsylvania, now almost twenty years ago. Governor Tilden, of New York, in a special message to the Legislature of that State, in 1875, remarked upon the evils of the municipal system. A commission, which was authorized by law to "devise a plan for the government of cities in the State of New York," after thorough investigation reported in favor of a curtailment of the powers of the State Legislature. Certain constitutional amendments were proposed, in accord with the recommendations made by the commission, which passed the Legislature of 1877, and were to have been submitted to the people in November, 1878, if they had passed the Legislature of 1878. In this second passage, however, they failed, despite the efforts of the people representing the best interests in New York, Brooklyn and the other cities of the State. About the same time a commission, appointed by Governor Hartranft, of Pennsylvania, made a report, in which the conclusions arrived at showed a similar tendency.

The plan in use in Missouri, California and Washington is but a step in the direction of full emancipation for our large American cities, when they must stand in the same relation to the National Government that the States do. There can no good come of a system which, for instance, makes New York and Brooklyn a part of New York State, and which makes them dependent upon the country members of the Legislature and other non-residents for their charters and local laws. There are only fifteen out of the forty-four States of the Union with a population greater than that of New York City. The city has more inhabitants than the entire neighboring State of New Jersey. If Brooklyn, Jersey City and the other cities and towns contiguous to New York, whose interests are all common and allied, were consolidated in a single government, the resultant would be a city containing over three millions of people, a greater population than is now possessed by any State except four, New York, Pennsylvania, Illinois and Ohio. New York State, deprived of New York City and Brooklyn, would take a much lower place in the list, and the consolidated city, at the present rate of growth of city populations, in a short time would contain more inhabitants than any State in the Union. The interests of all our large cities are totally diverse from the interests of the remaining sections of the States in which they are placed by our artificial arrangement of boundaries. We have massed different peoples together who have no mutual sympathies, who are opposites in political and social standards and antipodal in wants and governmental requirements. The evil is a very present one. For the good of the cities themselves, and likewise for the good of the States, it is necessary that our large cities should be free cities.

ELLIS PAXSON OBERHOLTZER.

Philadelphia.

THE RELATION OF ECONOMIC CONDITIONS TO THE CAUSES OF CRIME.

"The destruction of the poor is their poverty."—Proverbs x. 15.

The criminologist, in his search for the causes of crime, cannot, in the nature of things, accept any blanket theory. The fall of man and the doctrine of total depravity may satisfy his theological views as to the origin of evil, but they cannot satisfy his sociological views. He must, as a criminologist, be able to develop specific causes more or less in harmony with his theology. He cannot be a criminologist without being scientific. He must study anthropology—the biology of the human race—and through this study he will classify, scientifically, the causes of crime. His theology will teach him the results of a criminal career, and these results will be in accordance with his theological views; but his scientific classification must be based upon his scientific researches. He will find that, to some extent, men are criminals through their psycho-physical organization, and such a criminal commits crime without regard to his environment.

Prosperity, or the lack of prosperity, good or bad training, under all conditions, a man with an abnormal psycho-physical organization of a certain type not only commits crime, but defends it.

Another type of man, even with a normal psycho-physical organization, commits crime through the influence of environment, or of an uneducated and an untrained conscience, or of a conscience naturally dull. The recent researches into the relation of the formation of the brain in certain parts to criminal tendencies are among the most valuable studies of scientific men; yet should their researches prove beyond doubt that certain brain formations

lead directly to criminal courses, such demonstration could not fully account for all criminal lives, in all degrees. If they did, there would be no use of wasting time over the discussion of the influence of heredity, environment, economic conditions, or of any of the other causes which, related or unrelated, lead men to criminal courses. Whatever cause the scientific criminologist may find and even establish, it is true, and must always be true, that a weak conscience will be lulled by necessity or desire to the point of criminal action, and that conditions surrounding a man will at times stimulate such action. Personally, I am very much in sympathy with the views of scientific criminologists, and with some of the views expressed by the celebrated Doctor Despine. I am rather out of sympathy with the idea that a criminal becomes such through the loss of moral attributes which he once possessed; with the idea that he started in life a comparatively good man, but that he has wilfully and maliciously broken the laws of the State. I believe the criminal is an undeveloped man in all his elements, whether you think of him as a worker or as a moral and intellectual being. His faculties are all undeveloped, not only those which enable him to labor honestly and faithfully for the care and support of himself and his family, but also all his moral and intellectual faculties. He is not a fallen being: he is an undeveloped individual.

The reverse of this idea leads men to adopt many illogical conclusions, and also leads into considering all the convicts of a State as belonging to the same class. Notwithstanding these statements, I believe it is true that men even with fairly sound consciences can and do become habituated to the idea of crime through their necessities or their environment, and even degenerate from a reasonably good life to a bad one. Such conditions have much to do with the commission of crime.

So while the scientific view of crime attracts me more than any other, I am yet aware that the penologist must

govern himself by the doctrine that men commit crime, or refrain from it, as they wish; that crime is the result of some craving, some want, some unsatisfied desire, and that the basic action or motive of crime is to be found in some physical or mental condition. Whether it suits our views or not, therefore, we are obliged to consider the criminal as acting under free will, and while we need not lose sight of all the scientific conditions which are alleged as primarily necessary to constitute criminal action, we must deal with the criminal as a free, moral agent; as one committing his act to satisfy his want or desire, which he feels he is unable to satisfy through the ordinary or legitimate conditions. Hence the discussion of economic conditions in their relation to the causes of crime becomes legitimate.

All great social questions, on careful analysis, resolve themselves, in a more or less degree, into some phase of what we call the labor question, and certainly the causes of crime, in a sociological sense, cannot be studied without considering the status of man in the prevailing industrial order, for among all the causes for criminal action, or for the existence of the criminal class, we find that economic conditions contribute in some degree to their existence. This, however, is only a phase of criminology. It is this phase which has been given me as a subject for discussion.

The world has seen three great labor systems—labor under slavery, labor under the feudal system, and labor under the wage or the prevailing system. Crime was not so fully recognized under the slave and the feudal systems as it has been under the modern system of labor. Ownership came naturally through conquest. Possession was the clear title to property. Conflict and conquest were the prime causes of private ownership. Hence, under slavery, crime assumed a different relationship to the body-politic than it assumes under the modern system, where the right of free contract prevails. The feudal system was only an advanced phase of slavery, and so intermingled were the conditions that it is sometimes difficult to

clearly define the life of the individual man under the two. These conditions existed prior to the general adoption of the wage system, and in the study of the relation of labor conditions to criminal conditions the earlier systems of labor become interesting. The peasants under the feudal system had no hope, for they had no land and no chance of bettering their condition. With no comforts or even necessaries of existence, life was to them a perpetual hardship. These conditions continued in many countries, the result usually being seen in vast herds of thieves, robbers, and vagrants that desolated the land. Even in the time of Henry VIII., and during the course of his reign of thirty-eight years, no fewer than seventy-two thousand persons were executed for crime. History has not begun to tell the story of the sufferings of labor prior to the advent of the modern industrial system, or of the necessities which drove men into criminal lives. All were in misery, with the exception of the few who constituted the families of the feudal lords. All the conditions surrounding labor were abject. Pauperism, as we understand it, was unknown, to be sure, because all were paupers. Pauperism, therefore, did not attract legislation, and crime, the offspring of pauperism and of idleness, was brutally treated; and these conditions, betokening an unsound social condition, existed until progress made pauperism and crime as well, the disgrace of a nation, and it was then that pauperism began to be recognized as a condition which might be relieved through legislation. Of course, intellectual growth began to have some influence. This is illustrated by one of the statutes of England passed against laborers during the worst days of her feudal labor, upon the complaint of lords and commons, and men of the Holy Church, who in their complaint state that "they do come there in great routs and agree by confederacy that every one shall aid every other to resist their lords with strong hands. And so they seemed, partly by law and partly by force, to resist all claims due of their

bodies and of them as land-tenants." These efforts, marking the first results of intelligence among the laborers, constituted probably the first strikes for industrial progress in history. They were contemporaneous with those great upheavals on the continent which are traced up through the Anabaptist revolt and along up to the revolution of '89, when the French nation sought to rid itself of the lingering burdens of feudalism; but it was through all these efforts in the great countries of Western Europe that the distinguishing features between prosperity and poverty became prominent. Carry industry to a country not given to mechanical production or to any systematic form of labor, employ three-fourths of its inhabitants, give them a taste of education, of civilization, make them feel the power of moral forces even to a slight degree, and the misery of the other fourth can be gauged by the progress of the three-fourths, and a class of paupers and resultant criminals will be observed.

We have in our own day a most emphatic illustration of this in the emancipation of slaves in this country. Under the old system the negro slave was physically comfortable, as a rule. He was cared for, he was nursed in sickness, fed and clothed, and in old age his physical comforts were continued. He had no responsibility, and, indeed, exercised no skill beyond what was taught him. To eat, to work, and to sleep were all that was expected of him; and, unless he had a cruel master, he lived the life that belongs to the animal. Since his emancipation and his endowment with citizenship he has been obliged to support himself and his family, and to contend with all obstacles belonging to a person in a state of freedom. Under the system of villeinage in the old country it could not be said that there were any general poor, for the master and the lord of the manor took care of the laborers their whole lives; and in our Southern towns, during slavery, this was true, so that in the South there were few, if any, poorhouses, and few, if any, inmates of penal institutions. The South to-day knows what pauper-

ism is, as England learned when the system of villeinage departed. Southern prisons have become active, and all that belongs to the defective, the dependent, and the delinquent classes has come to be familiar to the South.

To the industrial system, therefore, which was changed by the Civil War, the presence of some features of crime in the Southern States must be traced. The Civil War was, indeed, a labor war, whether it was instituted as such or not. The slave of the South could not compete with the skilled artisan of the North, and the conditions in the former had to give way to the conditions in the latter section of the country. The progress of the wage system, the increasing intelligence of the men who work under it will, as time advances, correct these crude conditions. They do not cause them: they only bring them into prominence. But so far as the modern industrial order superinduces idleness or unemployment, in so far it must be considered as having a direct relation to the causes of crime. I believe, however, that whatever tendency in this direction exists under the modern industrial order is of far less degree, not only in extent, but in severity, than the conditions which were superinduced by the industrial order which preceded it. In a treatise written by Richard Hakluyt, of England, in 1584, on the religious, political, and commercial advantages to be derived by England from the attempted colonization of America, entitled "A Discourse on Westerne Plantinge," recently discovered, and published for the first time in 1877, by the Maine Historical Society, the familiar question of how to employ the unemployed was discussed by the author, and in terms which remind one forcibly of the oft-repeated fears and the chimerical schemes of reformers of the present time.

In urging upon his government the undertaking of voyages, Hakluyt uses this language (the spelling being modernized), after referring to the prosperity of Spain and Portugal:

"But we, for all the statutes that hitherto can be devised, and the sharp execution of the same in punishing idle and

lazy persons for want of sufficient occasion of honest employment, cannot deliver our commonwealth from multitudes of loiterers [tramps we call them], and idle vagabonds. Truth it is, that through our long peace and seldom sickness, two singular blessings of Almighty God, we are grown more populous than ever heretofore; so that now there are of every art and science so many that they can hardly live one by another; nay, rather, they are ready to eat up one another; yea, many thousands of idle persons are within this realm, which, having no way to be set on work, be either mutinous and seek alteration in the State, or, at least, very burdensome to the commonwealth, and often fall to pilfering and thieving and other lewdness, whereby all the prisons of the land are daily pestered and stuffed full of them, where either they pitifully pine away, or else at length are miserably hanged, even twenty at a clap out of some one jail. Whereas, if this voyage were put in execution, these petty thieves might be condemned for certain years in the western parts." And then follows a glowing picture of results, which the writer concludes as follows: "There need not one poor creature to steal, to starve, or to beg, as they do."

The quotation refers to a time only a quarter of a century prior to the permanent settlements on our coast, while in 1629 John Winthrop, the first Governor of Massachusetts, before he left the old home, stated, among others, these reasons for leading emigrants out of the overburdened England, which Hakluyt described:

"This land grows weary of her inhabitants, so as man, who is the most precious of all creatures, is here more vile and base than the earth we tread upon, and of less price among us than a horse or a sheep. Many of our people perish for want of sustenance and employment; many others live miserably and not to the honor of so bountiful a housekeeper as the Lord of heaven and earth is, through the scarcity of the fruits of the earth. All of our towns complain of the

burden of poor people, and strive by all means to rid any such as they have, and to keep off such as would come to them. I must tell you that our dear mother finds her family so overcharged as she hath been forced to deny harbor to her own children,—witness the statutes against cottages and inmates. And thus it is come to pass that children, servants, and neighbors, especially if they be poor, are counted the greatest burthens, which, if things were right, would be the chiefest earthly blessings."

These conditions of labor, as I have already stated, were all attended with a great volume of crime, and it was crime, to a large extent, which grew out of individual physical wants. Guizot has said that labor is a most efficient guarantee against the revolutionary disposition of the poorer classes. He might have added that labor, properly remunerated, is an effective guarantee against the commission of crime. Certainly hunger leads to more crime of a petty nature, perhaps, than any other one cause.

In the study of economic conditions, and whatever bearing they may have upon crime, I can do no better than to repeat, as a general idea, a statement made some years ago by Mr. Ira Steward, of Massachusetts, one of the leading labor reformers in that State in his day. He said: "Starting in the labor problem from whatever point we may, we reach, as the ultimate cause of our industrial, social, moral, and material difficulties, the terrible fact of poverty. By poverty we mean something more than pauperism. The latter is a condition of entire dependence upon charity, while the former is a condition of want, of lack, of being without, though not necessarily a condition of complete dependence."

It is in this view that the proper understanding of the subject given me, in its comprehensiveness and the development of the principles which underlie it, means the consideration of the abolition of pauperism and the eradication of crime; and the definitions given by Mr. Steward carry with them all the elements of those great special inquiries em-

bodied in the very existence of our vast charitable, penal, and reformatory institutions, "How shall poverty be abolished, and crime be eradicated?" The discussion is a very old one, and neither modern professional labor reformers, nor philanthropists, nor criminologists, nor penologists have any patents upon the theme. The progress of the world may be read as well by statutes in the humanity of law, in the existence of prisons, in the establishment of charitable institutions, and by the economic conditions which surround labor, as by written history; for, as the condition of labor rises, pauperism and crime must fall in the general scale.

To say that pauperism, and crime as an attendant evil, follow the unemployed more mercilessly than the employed, would be to make a statement too simple in its nature to invite serious consideration. Yet the history and the statistics of labor and the conclusions resulting from their study in their relation to pauperism and crime present most interesting and valuable features. Criminal conditions, the evils we are considering, have always existed, no matter what the social or legal status of men; under the most favorable as well as under the most unfavorable conditions; under liberal and under despotic government; in barbarous and in enlightened lands; with heathenism and with Christianity; under a variety of commercial systems: and yet they are, in a philosophic sense, a rebuke to a people living under constitutional liberty.

Employment of the unemployed will not crush pauperism and crime, even if every able-bodied man in the country could be furnished with work to-morrow. Universal education will not. The realization of the highest hopes of the temperance and labor reformers will not. The general adoption of the Christian religion will not. But all these grand and divine agencies working together will reduce them to a minimum, and make that community which tolerates them indictable at the bar of public opinion, the most powerful tribunal known.

Physical agencies, without all the higher elements, can do but little. The early history of this country and the history of all countries where civilization has made any headway teach this truth.

The proposition that pauperism and crime are less frequent in cultured communities will not, I suppose, be debated. It is true that the intelligent, skilled laborer is rarely found either in a penal or a charitable institution; nor is the person who has the elementary education sufficient to enable him to read, write, and make his own calculations so liable to become a charge as the one who has not these qualifications. I am, of course, aware that the full accuracy of these statements is oftentimes questioned; yet it is statistically true that enough of knowledge to be of value in increasing the amount and quality of work done, to give character, to some extent at least, to a person's tastes and aspirations, is a better safeguard against the inroads of crime than any code of criminal laws. I must, of course, consider this point as a fact, and shall not weary you with the oft-repeated arguments and the usual array of figures used to convince legislators that it is wise economy to foster our educational institutions. This being conceded as to intellectual or mental acquirements, including elementary book-learning, how does the fact affect the matter under consideration? Simply that the kind of labor which requires the most skill on the part of the workman to perform insures him most perfectly against want and crime, as a rule.

This statement is fortified by such statistics as are available. Of 4,340 convicts, at one time, in the State of Massachusetts, 2,991, or 68 per cent, were returned as having no occupation.

The adult convicts numbered at that time 3,971. Of these 464 were illiterate; and the warden of the State Prison, for the year in question, stated that of 220 men sentenced during that year, 147 were without a trade or any regular means of earning a living.

In Pennsylvania, during a recent year, nearly 88 per cent of the penitentiary convicts had never been apprenticed to any trade or occupation; and this was also true of 68½ per cent of the convicts sentenced to county jails and workhouses in the same State during the same year.

In Mr. Frederick Wines' recent report on homicide in the United States, in 1890, it is shown that of 6,958 men, 5,175, or more than 74 per cent of the whole, were said to have no trade.

The full statistics relating to convicts in the United States, when Mr. Wines makes his full report, will, I have no doubt, corroborate these statements.

These statistics represent the conditions in other latitudes, and show what is true everywhere, that it cannot be claimed that any very desirable working material can be found among convicts. If we except the large number that are unable to work, we shall by no means find workers remaining. We shall find some with trades, able and ready to work, but the greater number unpossessed of a self-supporting occupation, and many unwilling to work. I believe that the unfitness for productive labor, whether it springs from lack of a trade or occupation, or from personal antipathy to work, is a great and predisposing cause of both pauperism and crime. Furthermore, it is true, so far as the statistics which I have been able to consult demonstrate, that during periods of industrial depressions crime of almost all grades is increased in volume. The difficulty of demonstrating this feature of my subject to any full extent lies in the fact that our criminal statistics are given for periods, and not year by year. Could we have annual statements of the convictions in all our States, so that such statements could be consulted relative to economic conditions, I feel sure that we should find a co-ordination of results that would startle us all. We should find that the lines of crime rise and fall as the prosperity of the country falls and rises.

The law of political economy comprehending supply and

demand is brought into prominence in this thought. It is an economic principle, always stated by all writers on political economy, that the highest cost makes the price. This is true only so long as demand is superior to supply. If the supply is superior to the demand, then the lowest cost makes the price in the market, and it is this condition that brings about what is popularly called "over-production," resulting in stagnation of trade and competition for work. This competition for work throws out the weaker elements in the industrial system, drives them to necessity, increases the want, and decreases the means of its satisfaction. Larceny, burglary, and all the forms of theft come into play, and the volume of crime increases. It is this principle, too, that influences the working man in his antagonism to the employment of convicts upon productive labor.

Political economists and all writers upon antagonistic commercial systems are fond of saying that if labor cannot be profitably employed at one trade or in one locality it should seek another. This was the favorite remedy offered by a certain class of political economists during all the great industrial depressions which existed in England during the first half of this century. Depression was to be relieved by a mobilization of labor. Now labor is not so mobile as these writers would have us believe. Great bodies of men employed in Lancashire in the cotton factories cannot, when sudden depressions come upon the industries, mobilize themselves so as to take up work in some other locality in England. The shutting down of the mines of Pennsylvania, or the reduction of work therein, throws large bodies of men out of employment, and it is utterly and physically impossible for those bodies of men to be mobilized or for them to take up other callings in life so as to keep the wolf from the door. These conditions make tramps. Crime is the result, and the criminal statistics swell into columns that make us believe that our social fabric is on the verge of ruin. Hungry stomachs, again, at such times, are at the base of

the enlarged figures. Ignorance of work, the lack of some technical training prevents the mobilization of labor and compels men with a weak conscience to commit crime.

Doctor Schäffle, in his excellent work on the "Impossibility of Social Democracy," says: "We cannot do enough in the endeavor to abate and avoid the misery of these trade stoppages: it hangs like the sword of Damocles over the heads of non-propertied laborers; it embitters the existence of every one of them who reflects and who has the care and nurture of a family to provide for."

All idleness, whether induced by economic conditions, or by a lack of inclination to work, or by a lack of knowledge of how to work, leads directly to crime—not, of course, in all cases, but such conditions aggravate and irritate and drive men to criminal courses. The idle man's brain is, indeed, the devil's own workshop. Political economy, which has dealt so largely with the acquisition of wealth, must, sooner or later, deal with other features of wealth, and teach the world what conditions will largely relieve society of crime or largely lead to a reduction of its volume, through teaching the power of moral forces in the adjustment of industrial forces. My chief quarrel with political economy, which, to my mind, is one of the grandest departments of human knowledge, lies in this very thought, that it does not recognize as one of its elements the power of moral forces in society which really make or mar healthy commercial conditions.

Under the new political economy, sanitary conditions are shown to be a necessity to true economic conditions. The material prosperity of a community depends much upon the health of its workers, and the health of workers depends in a very large degree upon sanitary surroundings. It is that the physical condition of the people may be improved by every means, that social economy deals with the subject of sewerage, tenement houses, light, and ventilation; and in this respect social science teaches valuable lessons to political science, for the health of the workers of a

community is essential to their material prosperity, and the health of a community has much to do with the volume of crime.

In this connection I cannot refrain from weaving in a few thoughts from W. R. Greg, an English writer, with some of my own. Dwelling upon the physical and moral development of the race as essential to prosperity, it may be asked—What may we not rationally hope for when the condition of the masses shall receive that concentrated and urgent attention which has hitherto been directed to furthering the interests of more favored ranks? What, when charity, which for centuries has been doing mischief, shall begin to do good? What, when the countless pulpits, that so far back as history can reach, have been preaching Catholicism, or Anglicanism, Presbyterianism or Calvinism, or other isms, shall set to work to preach Christianity at last? Do we ever even approach to a due estimate of the degree in which every stronghold of vice or folly overthrown, exposes, weakens, and undermines every other? Of the extent to which every improvement, social, moral, or material, makes every other easier? Of the countless ways in which physical reform reacts on intellectual and ethical progress and the prosperity of our industries? Under the constant teaching of a moral philosophy which shall embrace the political economy of the labor question, what a transformation—almost a transfiguration—will spread over the condition of civilized communities, when, by a few generations, during which hygienic science and sense shall have been in the ascendant, the restored health of mankind shall have corrected the morbid exaggerations of our appetites; when, by insisting upon the healthy environment of our toiling masses, the more questionable instincts and passions, which, under such rule as I have indicated, shall have been less and less exercised and stimulated for centuries perhaps, shall have faded into comparative quiescence, and have come under the control of the will; when, from

the expulsion of vitiated air, disordered constitutions, whether diseased, criminal, or defective, which now spread and propagate so much mischief, and incur so much useless expense to taxpayers, shall have been largely eliminated; when sounder systems of educating the young shall have prevented the too early awakening of natural desires; when more rational, higher, and soberer notions of what is needful and desirable in social life, a wiser simplicity in living, and a more thorough conformity to moral law shall have rendered the legitimate gratification of our appetites more easy and beneficial, and when that which is needed for a happy home shall have become attainable by frugality, sobriety and toil! These conditions, so desirable to be reached, are not impossible ones, and are not to be reached by revolutionary schemes of any party or sect, but by the gradual adoption of sanitary laws in the dwellings and homes of the people; and the new school will teach that the secondary, and often the primary, causes and encouragements of intemperance are bad air and unwholesome food, which create a craving for drink; bad company, which tempts it; undue facilities, which conduce to it; squalid homes, which drive men forth for cheerfulness; and the want of other comfortable places of resort, which leaves no refuge but the publican's parlor or den. And if, on the other hand, we find that the consequences are poverty, squalid homes, brutality, crime, and the transmission and perpetuation of vitiated constitutions, who can say they cannot be prevented by the sound administration of sanitary laws, which shall prohibit the existence of bad air, of unventilated dwellings, the undue multiplication and constant accessibility of gin and beer shops, and the poisoning of wholesome food and drink? You cannot discuss the labor question from either the ethical or economical side without consideration of the temperance question; and from the results of such consideration it is perfectly clear to my own mind that the solution of the temperance question is largely in

the control of the employers of labor. The interests of capital as well as of labor, the interests of religion itself, demand a sober and industrious community; and, when the employers of labor shall demand abstinence from alcoholic drinks as a qualification for employment, the ugly problem, so far as the working masses are concerned, will be far on the way to settlement. What will bring the employers to the same issue is perhaps a knottier problem. The presence of crime works a direct injury upon the welfare of the workingman in many ways. It costs him more to live because of it; it disturbs his sense of justice because the convict works at the same occupation which furnishes his support; but, while the labor reformer cries for the abolition of convict labor, the political economy of the labor question cries for the reduction of the number of criminals by the prevention of crime as the surest and most permanent remedy for whatever evils may grow out of the practice of employing convicts in productive labor. We make criminals now; for three-fourths of the crime committed is by young men who are temporarily led astray, and the fact that fifty per cent of all the convicts in the States prisons of the United States are under twenty-six years of age only confirms the estimate. These accidental criminals we make into positive convicts, to be fed upon the production of men outside. We shall learn better methods in the future civil state, in which wise and effective legislation, backed by adequate administration resulting from a sound public sentiment, which will not hesitate to punish when necessary with that punishment which is most dreaded by the offender, shall have made all violation of law, all habitual crime, obviously, inevitably and instantly a losing game, and when the distribution of wealth, and its use, shall receive both from the statesman and the economist the same sedulous attention which is now concentrated exclusively upon its acquisition.*

* Professor F. A. Walker.

It is perfectly true that unsanitary condition ditions that work a deterioration in the hea lead to uneconomic conditions. Bad air, ba drainage, lead to intemperance and want. argument to show that these are precursors of thing that brings about a higher rate of morta children of the poor leads to crime, and it is pe ble from facts that are known that any occ insures a high rate of mortality among the participants tends to conditions most favorab alence of pauperism and crime.

The displacement of labor through the app proved machinery temporarily, and to the i duces a condition of want which may or may n by the increased labor demanded through inve can be easily answered by stating the benefi to it through inventive genius, but it is a poo man who finds the means of supporting hi from him. But with the progress of inventio sequent elevation of labor both pauperism an as society is concerned, have correspondin This is true in more senses than one. The ag or periods given to the development and pract of natural laws, raises all peoples to a high level, to a more comprehensive understanding march of progress.

But the question of the removal of poverty pression of crime is not wholly with the work employer has as much to learn as he, and he to equal, if not greater, responsibility. Ignor prehends ignorant employer. Insomuch as labor are equitably shared with labor, insom lessened, and, insomuch as poverty is lessene crime decreased. The employer should alw that if conditions become ameliorated, if life b a struggle, if leisure be obtained, civilizatio

rule, advances in the scale. If these conditions be reversed, if the struggle for existence tends to occupy the whole attention of each man, civilization disappears in a measure,* communities become dangerous and the people seek a revolutionary change, hoping by chance to secure what was not possible by honest labor.

In a State in which labor had all its rights there would be, of course, little pauperism and little crime. On the other hand, the undue subjection of the laboring man must tend to make paupers and criminals, and entail a financial burden upon wealth which it would have been easier to prevent than to endure; and this prevention must come in a large degree through educated labor.

Do not understand me as desiring to give the impression that I believe crime to be a necessary accompaniment of our industrial system. I have labored in other places and at other times to prove the reverse, and I believe the reverse to be true. Our sober, industrious working men and women are as free from vicious and criminal courses as any other class. What I am contending for, relates entirely to conditions affecting the few. The great volume of crime is found outside the real ranks of industry.

The modern system of industry has reduced the periods of depression from the long reaches extending over half a century under older systems. These periods have been reduced to decades and half decades of years. The time will come when periods of depression will occur only for the few months of a single year, and when this time comes the columns of the statistics of crime will show a receding quantity. Infinitely superior as the modern system is over that which has passed, the iron law of wages, when enforced with an iron hand, keeps men in the lowest walks of life, often on the verge of starvation. As intelligence increases and is more generally diffused, the individual man wants more, has higher aspirations for himself and his family; but,

* Rawlinson's "Origin of Nations."

under the iron law of wages, at times, all these desires and aspirations are hard to satisfy. The modern system produces mental friction; a competition of mind has taken the place, in a large measure, of mere muscular competition, and the laggard in the industrial race may lose his mind or his conscience, in the latter case causing him to develop into the criminal. The economic condition or environment of this particular man leads him inevitably to crime. But system gives way to system, and the present industrial order will be superseded by one vastly superior to it. As the establishment of the wage system reduced crime and its attendant evils, so that which is to come will still further benefit the human race ethically and economically.

Does some one inquire—Can it be possible that more civilization means more crime? Yes, and no. For a time under improved civilization, under improved mechanical methods, and under the march of invention, competition, as I have said, is mental to a larger degree than under the simpler methods and cruder civilization. The residuum of society is more easily observed and more thoroughly claims the attention of philanthropists and of legislators; but to say that more civilization means more poverty and more crime is a reversal of truth in every sense. I believe that with elevated civilization there come conditions of labor which will largely relieve society of crime, or, at all events, largely reduce its volume. This must come through a more just and a more equitable distribution of the profits of production. It has always proved true, and it always will prove true, that wherever there is a sincere desire to secure a just and equitable distribution of the rewards of production, or even to make headway in some measure, fruits, rich and abundant, have been the result. The experience of the Briggs brothers in their attempts at profit-sharing, converted a turbulent and intemperate community, given to theft and rioting, into a sober and orderly body of people. The experience of Robert Owen, at New Lanark, is the record of one of the most

prominent experiments in the Old World for the bettering of industrial communities. This experiment was made by Owen before he became imbued with socialism. At the period of his Lanark experience (1819), Owen gained respect and renown in distant lands, was sought by the great, was consulted by governments, and counted among his patrons princes of the blood in England, and more than one crowned head in Europe. The main cause of Owen's success began with the practical improvement of the working-people under his superintendence as manager, and afterward as owner of the cotton mills in New Lanark. He found himself surrounded by squalor, poverty, intemperance, and crime. He determined to change the whole condition of affairs. He erected healthy dwellings with adjacent gardens, and let them at cost price to the people. He adopted measures to put down drunkenness and to encourage the savings of the people. The employes became attached to their employer, took a personal interest in the success of the business, labored ably and conscientiously, and so made the mills of New Lanark, in Scotland, a great financial success. He turned a community given much to law-breaking into one happy as a law-abiding people.

The experience of the Cheney brothers at South Manchester, Conn., of the Fairbanks Company in Vermont, of hundreds of others who have recognized the great fact of the Decalogue, testifies to the soundness of the thought that with improved conditions which result in economic environment, crime will be reduced.

All these considerations lead us to weigh well the practices which should be resorted to. Trade instruction, technical education, manual training—all these are efficient elements in the reduction of crime, because they all help to better and truer economic conditions. I think, from what I have said, the elements of solution are clearly discernible. Justice to labor, equitable distribution of profits under some system which I feel sure will supersede the present, and without

resorting to socialism, instruction in trades by which a man can earn his living outside a penal institution, the practical application of the great moral law in all business relations—all these elements, with the more enlightened treatment of the criminal when apprehended, will lead to a reduction in the volume of crime, but not to the millennium; for "human experience from time immemorial tells us that the earth neither was, nor is, nor ever will be, a heaven, nor yet a hell,"* but the endeavor of right-minded men and women, the endeavor of every government, should be to make it less a hell and more a heaven.

CARROLL D. WRIGHT.

Washington.

* Dr. A. Shäffle.

THE NATURE OF THE FEDERAL STATE.

In reviewing the history of Europe we find that the prevailing political organization has been successively Municipal, Imperial, Feudal, Monarchical and Parliamentary. Each in turn has been considered final and permanent, and each, except the last, has had its day, and gone the way of all the earth. And this last form, the Parliamentary, is that to prove an exception to the rule? The events of the recent past and the circumstances of to-day return no uncertain answer. Parliamentary government has been weighed in the balance and found wanting. It is unstable; for the government, *i. e.*, the Cabinet, may be changed every day, and that upon the most frivolous pretexts. It puts a premium on demagogery, for the demagogues have but to combine and upset the Cabinet, and their portfolio-hunger is assuaged. And finally, however disguised, the essence of Parliamentary government is the omnipotence of one chamber; a power that constantly tends to become capricious, insolent, tyrannical and incompatible with the rights and safety of individuals or minorities. Of this fact the experience of France is abundant proof. Hence it is that whereas a century ago Parliamentary government was the ideal of the nations, to-day it is a tacitly confessed failure, wherever imported, and is distrusted and feared by conservative men even in England, the land of its birth. This discredit, moreover, attaches not only to Parliamentary government, but also and still more, to that form of state of which Parliamentary government is the most perfect organ; namely, the centralized simple state. It is seen that such a State acting through such a government is, and necessarily must be, a despotism; perhaps well-meaning, but none the less a despotism, and equally despotic whether autocratic or

democratic, whether the ruler be one man, or half the people plus one man; for despotism consists not in the possession of governmental power by a larger or smaller number of men, but in the absolute and unlimited nature and extent of such power. There can be no security against despotism but limitations upon the government; and no effective limitations upon the government, but such as are imposed by a higher power, the State, and enforced by separate and co-ordinate organs of government created by the State and participating in the action of the general government. But this is the Federal State, a form long considered a transition stage between the league of States and the simple State, but now recognized—in other countries at least—as the most interesting and significant product of institutional development.

Its importance is proved by its success. In a century the new form has overspread the earth. 1787 in the United States; 1848 and 1874 in Switzerland; 1866 to 1870 in Germany; 1867 in Canada and Mexico; 1889 in Brazil; 1891 in Australasia—these dates record a progress unchecked by reverse, unparalleled in rapidity and extent. Federalism has succeeded in conditions the most diverse; here knitting scattered colonies of a kindred race into a nation equally strong and free; there forming hostile races, tongues and creeds into compact and vigorous States. It is strong and flexible. No shock has severed its well-knit meshes, and nations the most unlike move with equal freedom in its enveloping folds. The whole drift of the political world is toward Federalism to-day, as it was toward Feudalism in the tenth century, and Centralism in the fifteenth. The time may not be far distant when a centralized simple State will be as great an anachronism as a mail-clad knight in a modern army.

Like all political forms, the Federal State is the offspring of necessity, yet it is more than a chance political expedient. It did and could originate only as a compromise between

the desire to unite and the desire not to unite; yet it both develops nationality and prevents centralization. It is a new equilibrium, the maintenance of which is confided to the States as against open centralization, to the general government as against open decentralization, and to the judiciary as against covert disturbances of any sort.

This interpretation will, it is believed, be confirmed by an examination of the origin and constitution of the four chief Federal States.

I. ORIGINS.

The Canadian Union was the work of one external sovereignty. A congress of delegates appointed by the Provincial Legislatures framed the desired Constitution, which was then (1867) enacted *en bloc*, as an ordinary statute, by the British Parliament.*

In Switzerland and the United States, the ordaining sovereignty was one and internal. Previous to 1848, the Cantons are said to have been separately sovereign.† The only central authority was the Diet, consisting of one instructed vote from each Canton. But unanimity was not required for decision, consequently a Canton could be bound against its will, and coërced by arms if it resisted—as occurred in the Sonderbund war in 1847. Thus Laband's conception of the German Empire‡ exactly fits the Switzerland of that date: sovereignty rested in the Cantons, not individually, but collectively. There were not as many sovereignties as Cantons, but one sovereignty, of which the Cantons were co-bearers (*Mitträger*). To the Cantons collectively the Cantons individually were subject; just as each Roman Senator was subject as an individual to the Senate as a whole. Following the Sonderbund war a committee of the Diet drafted the new Constitution; the Diet itself then revised and passed it. When submitted to the

* Bourinot, "Federal Government in Canada," p. 25.
† Hart, "Introduction to Federal Government," p. 65.
‡ Laband, "*Das Staatsrecht des Deutschen Reiches*" (1876), Vol. I., pp. 89, 92.

Cantons for approval, fifteen and one-half Cantons accepted, six and one-half rejected it. The Constitution thereupon went into effect for all alike.* The sovereignty in the old Confederation, therefore, decreed the new Federal organization. No absolutely new State was created, but a rudimentary exchanged for a well-developed form.

The same was true in America, but is not so easily seen. The traditional view regards the individual States as separately sovereign under the Confederation. Article II. declares: "Each State retains its sovereignty, freedom and independence . . . ." But words cannot obliterate facts. The States could not "retain" what they had never possessed. They had always been subject to a political superior.† First, to England; secondly, to the Continental Congress, a revolutionary body, hence *de facto* sovereign; and thirdly, under the Confederation, each State individually was subject to the States collectively. In the American, as in the Swiss Confederation, sovereignty was one, and the States were its co-bearers; each as an individual was subject to the body as a whole. The proof is simple. Unanimity was not required, hence a State could be bound against its will. Also, the most essential powers of sovereignty—peace and war, foreign affairs, etc.—belonged to the States collectively, not individually. Therefore, the separate States could not be individually sovereign. *De facto*, they might have been so, through the inability of the collective body to enforce its powers, but not legally, and the question at issue is solely one of law. But unanimity was required for amendment; therefore on this point each State was positively impotent, negatively sovereign. It could not amend the Articles of Confederation even in a particular affecting only itself, but could prevent amendment even in particulars affecting only others. Such a contradictory position was intolerable, but legally there was no escape. Revolution was

* Dubs, "*Das Oeffentliche Recht der Schweiz, Eidgenossen*," (1878).
† Cooley, "General Principles of Constitutional Law" (1880), p. 17.

the only recourse. The Constitutional Convention exceeded its instructions in drafting a new Constitution, in providing that the assent of nine States should be sufficient for its adoption and in "calling for the plebiscite over the heads of Congress and the Legislatures." But it did not exercise constituent powers; it was not sovereign. In the United States, as in Canada, the Constitutional Assembly merely proposed; the sovereign enacted. For until ratified by the States, the report of the Philadelphia Convention carried no more legal authority than the resolutions of a mass meeting. The States gave it the *vis legis;* their sanction, either tacit or expressed, made valid its unauthorized acts. Not the Convention, therefore, but the States, carried through the Constitutional Revolution. That consisted in the assumption by the usual majority, viz., nine, of the same sovereign right as to amendment that they already possessed as to the other subjects within the collective competence. This assumption contravened the negative sovereignty over amendment legally possessed by the other States; hence it was merely *de facto* sovereignty, exercised in violation of law, but it became *de jure* by the acquiescence of the other States in this assumption. Acceptance by the majority specified in the new Constitution would, therefore, have made that instrument binding upon all the States, as it did in Switzerland, but for the limitation to "the States so ratifying." This clause was inserted as a matter of policy, not of law. And despite this limitation, preparations were made, as is well known, to compel the adhesion of the other States, a fate they escaped only by ratifying the Constitution voluntarily.

In Germany, the situation was different in that the contracting States had been and still were separately sovereign. August 18, 1866, the North German States provided by treaty for the founding of a Federal State within one year; the Constitution to be drafted by a Conference of Envoys at Berlin, and passed upon by a Reichstag elected on the basis

of the Frankfort election law. These provisions of the treaty were then enacted by the State legislatures as State law. State law they would have been without special enactment, since the August treaties rested upon State authority; State law they had to be, if law at all, since law requires a law giver, and only the States then legally existed. Both Reichstag and Conference therefore rested equally on State authority. The Conference sat December 15, 1866, to February 7, 1867.* Its draft was submitted to the Reichstag February 24, by the King of Prussia, in the name of the associated governments. The Reichstag proposed amendments; these were accepted by the Conference. Both then dissolved and disappeared. The bodies created by State authority had done their work, but the States were not legally bound by it, any more than the British Parliament was legally bound by the recommendations of the Canadian Constitutional Congress. The States did ratify the report of their agents, and fixed July 1, 1867, as the day for it to go into operation. But legally they could as well have rejected it. The lapse of the specified year would then have restored the *status quo ante* August 18, 1866. If, therefore, the criterion of the existence of a new State be the existence of a new political authority, setting a limit to older authorities, then no new State existed prior to the ratification of the Constitution by all the States.

It is indeed unquestionable that the German nation already existed, *i. e.*, that the German people were conscious of common interests, feelings and aspirations. It is equally unquestionable that such feelings could not but result in new political relations, and that in an historical and dynamical sense, the nation did, as a matter of fact, employ the States as instruments in the creation of the new State. But it is generally agreed that a nation is not a State until politically organized, and a State cannot be said to give itself political organization, because such organization is pre-requisite to its being a State. To argue the contrary is to say that a thing

* Laband, "*Das Staatsrecht des Deutschen Reiches*," Vol. I., p. 20–21.

can both exist and not exist at the same time. Thus the same difficulty still confronts us; namely, how is it possible to pass from the existence of one nation and twenty odd States, to one nation and one State? In a legal sense, whatever is done through a State is done by that State; hence, the State created by the nation acting through the States was, nevertheless, from a legal point of view, created by those States. From this conclusion there is no escape. The nation could not act except through those individuals who constituted the nation. But these were in whole or in part the same as the people of the States; therefore, to say that the nation acted through the States is only to say that the people, or part of the people of the States acted through the States. But so they do in every State action; this is State action. And finally, the quality of State action, as State action, is wholly independent of the motive inducing to such action. Therefore, State action is none the less State action because the motive leading to it was the desire of part or all the people to express in political form the nationality of which they were conscious.

This conclusion is therefore irresistible: the North German Confederation was legally created by the States. Yet the later redaction of the Federal Constitution by the general government* proves that the Constitution then rested upon Federal authority.

This interpretation, which springs naturally from the facts themselves, is nevertheless rejected by an influential school of writers on the ground that States cannot create a State and cannot divest themselves of their own sovereignty. But this denial raises more difficulties than it removes.

If, as is asserted by this school, no State, however strong, can impose obligations upon another State, however weak, and if, as is also asserted, no State, however willing, can surrender its own sovereignty or subject itself to the will of any other State, the question arises, how can States ever

* Laband, *op. cit.*, § 5.

lose their sovereignty or new States be formed? Athens and Rome must still be sovereign, and the United States of America still subject to England. This *reductio ad absurdum* is unavoidable upon a view which starts by denying the only two possible ways in which an old sovereignty may perish, or a new sovereignty come into existence. The fact, then, seems to be that any State which parts with its sovereignty by becoming subject to another, either voluntarily or by compulsion, is legally bound to continue that relation, *i. e.*, is bound by the will of a political superior. Its position after subjection is identical and its right of secession equal, whether such subjection be voluntary or involuntary; for in either case it has no legal right whatever, but merely the right of might—the right of revolution.

Granting this, the paradox is solved: the creation of a Federal State by the previously existing States, and the Federal origin of its Constitution, both become intelligible.

The peoples constituting the contracting States separately willed to form themselves into a single State, and then, collectively, as constituting the new State, ordained a Constitution therefor: the two volitions, logically distinct but coincident in time, being expressed by one and the same act; viz., ratification of the Constitution.* By the one volition, the people constituting each State surrendered their sovereignty to the collective people; by the other, the collective people, so constituted, delegated to each State the exercise of certain powers.† By the former volition, the old States

* "The British North America Act first consolidated the four provinces into one body politic, the Dominion, then redistributed this Dominion into four provinces."

"We the people of the United States—do ordain and establish this Constitution."

Jellinek, "*Lehre von den Staatenverbindungen*" (1882), p. 265, "*Der Act der Staatsschöpfung ist daher hier identisch mit dem Act der Verfassungsschöpfung.*"

† Laband, I., 83. "*Nicht der Einzelstaat, nicht der Gesammtstaat sind Staaten schlechthin, sie sind nur nach der Weise von Staaten organisirte und handelnde politische Gemeinwesen. Staat schlechthin ist nur der Bundesstaat als die Totalität beider.*"

Laband, I., 84. "*Es erscheinen die Einzelstaaten als Einrichtungen des Bundesstaats, als Theile seiner Organization.*"

Lincoln (First Message, 1861), "The States have their status in the Union, and they have no other legal status. . . . Our States have neither more nor less

were annihilated; by the latter volition, the States were re-created, and the central government created, as organs of the Federal State. Both the States and the central government therefore rest upon the same ultimate authority—the Federal State, the one sovereign people. By it they were created; by it they may be abolished: but as regards each other, they form an "Indestructible Union of indestructible States." Neither the States nor the central government possesses authority over the other. The Constitution is their common charter of life and power. In that is their legal status, and they have none other whatever. Acting *intra vires*, their acts are equally those of the Federal State; acting *ultra vires*, their acts are equally *ipso facto* void. A seceded State is therefore not a State, any more than a usurping central government would be a legal government. Not legally existing except in and through the Constitution, the instant a State got outside of that, it would be legally annihilated. But the fact is, a State cannot secede and it cannot rebel. The people constituting it may, but they do so as a mob, not as a State. For whatever a State attempts contrary to the Constitution is not State action but individual action. Its legislators in voting and its officers in enforcing laws *ultra vires*, act in a private, not a public capacity; hence they are responsible as individuals for such action.* The alleged government of an alleged seceded State is merely a revolutionary junta ruling *de facto* over a mob of revolted individuals between whom and the Federal State there can exist no law but that of war.

This account of the origin and nature of the Federal State is believed to both explain the present political condition of the United States, Germany, and Switzerland, and to harmonize with the admitted facts of history. And it receives unexpected confirmation from Canada, which at first sight seems an

power than that reserved to them in the Union by the Constitution. . . . The Union is older than any of the States, and, in fact, created them as States."

* Webster, Reply to Hayne.

exception. In Canada, sovereignty did not reside in the provinces either separately or collectively, hence they could neither unite, nor ordain a Constitution for the Union. The sovereign British Parliament decreed their union, then decreed a Constitution by which a central government was created, the provinces re-created, and the exercise of certain powers delegated to each; both acts being expressed by the enactment of the Constitution. This illustrates admirably the true relation of sovereign and subject in the Federal State. *For what the sovereign British Parliament is to the Canadian government and the provinces, that the sovereign Federal State, the one people, is to the Central government and the States; their creator, their upholder, their possible destroyer.*

This sharp distinction, in the case of Canada, between the State, represented by the British Parliament, and the central government at Ottawa, brings clearly to light what is everywhere the heart of the Federalism, namely, the radical difference between the relation of the States in a Federal State, and of Communes in a simple State, to the central government. Communes are created by the government through statute law; States are created by the Federal State through the Constitution. Communes are consequently subject to abolition at any time by the government; the States are as indestructible by the government as the government by the States, because neither is the creature of the other, but both alike are creatures of a common creator. The common identification of central government and Federal State is therefore not only false, but dangerous. It at once misses the whole meaning of Federalism and prepares its destruction.

It now remains only to determine from an examination of the several constitutions, to what extent this principle is recognized in practice, and how the mutual independence of the States and the general government is maintained and conflicts prevented. For this is the crucial test that determines the success or failure of the whole system.

II. CONSTITUTIONS.

In order to facilitate comparison between the constitutions, each department will be traced through all the constitutions before the next department is taken up.

I. LEGISLATURE.—The German Imperial Legislature is bi-cameral, both Houses possessing equal initiative and control as regards legislation. The *vis legis* therefore comes from neither alone, but from their agreement; and the formal command from the Emperor, in the name of the Empire.* Consequently, neither House is sovereign, nor the exclusive organ of sovereignty. The supreme power resides in the State, *i. e.*, in one collective people. The Constitution is their decree; the Reichstag, Bundesrath, and Emperor† are co-ordinate organs of their sovereignty. The Reichstag represents the people as one people; the Bundesrath, as States; so far they conform to the Federal principle. But while the former is uninstructed, hence truly representative, the latter is instructed, hence a pure democracy, composed of the States considered as units: the one represents the whole people, the other is the States. The Bundesrath is thus a rudimentary form, Confederate rather than Federal.

The competence of the Imperial Legislature is ill-defined. In many cases it legislates concurrently with the States; in others, it legislates while the States administer. In general, the tendency is to make States and central government into one organ instead of two. Article 4, as amended December 20, 1873, grants to the Houses power over the whole of civil and criminal law and legal procedure, besides the ordinary subjects.

The Imperial revenue is derived from: (1) Imperial property, institutions, etc.; (2) the customs duties; (3) excise on salt, tobacco, sugar and syrup; also, eighty-five

* See Constitution of the German Empire, Introductory Law.

† Zorn, "*Das Staatsrecht des Deutschen Reiches*," I., 63.

"*Der Kaiser ist nicht Träger der Reichssouveränetät, sondern als König von Preussen Mitträger derselben, als Kaiser Organ derselben.*"

per cent net of that on brandy and beer; (4) requisitions on the States.*

The Stamp Tax, nominally Imperial, goes to the States, as also fifteen per cent of the liquor tax. These facts suffice to show that German Federalism is on dangerous ground. Centralized legislation, State administration and financial interdependence, all show tendencies hostile to Federalism. Germany may well be, as Treitschke insists, "*Ein werdender Einheitsstaat*"—(Developing into a simple State). Amendments pass as ordinary laws, but are defeated by fourteen votes contra in the Bundesrath. They are therefore decreed by the Federal State acting through: (1) a majority of the Reichstag, *i. e.*, of the people as a whole; (2) a three-fourths-plus majority of the States, *i. e.*, of the people acting as States.

The Canadian Legislature is nominally bi-cameral, but actually uni-cameral, like the British, and supreme within the government. The cause is, in part, the appointive life-tenure of the Senators; but mainly the Cabinet system. As France has learned to her sorrow, that system invariably turns the Upper House into a "dignified appendage" of the Lower. The competence of the Canadian Legislature is defined negatively. It may exercise any power not expressly reserved to the British Empire or granted to the provinces. Therefore, not the States, as elsewhere, but the central government, is the residuary legatee of power. Peace, War and Foreign Affairs in general, are reserved to the Empire. Section 92 of the Constitution enumerates sixteen classes of subjects granted exclusively to the provinces, and Section 93 adds another—education—subject only to certain restrictions, designed to protect the minority sect. All other subjects fall within Dominion competence. Of these, Section 91 names, as samples, twenty-nine classes, including criminal law and procedure,

* Constitution of the German Empire, Art. 35 and 70.

militia, divorce, general rules as to marriage, and "the raising of money by any mode or system of taxation." The provinces, on the contrary, are limited to the income from lands, etc., licenses, direct taxes and Dominion subsidies. The latter now amount to one million pounds per annum. This financial dependence is the most dangerous feature of the Constitution. It robs the one side of independence, and the other side of power for good, though not for evil; it begets extravagance and corruption in the provinces—as recent boodling revelations abundantly prove—and a sectional scramble for spoils in the Dominion House. It replaces independence by dependence, that is, strikes at the very vitals of the Federal system.

The Swiss Legislature, or Federal Assembly, is a unit composed of two sections. Acting as a unit, it judges, pardons, and elects the Executive, Judges, Chancellor and Generals. It therefore *is* the government; other departments are its ministers. It legislates as two Houses, equal in initiative and power; the *Nationalrath* representing the people collectively, the *Ständerath* as States. Both are uninstructed, hence truly representative. As a legislature it thus conforms exactly to the Federal principle. But the Ständerath is weak in practice, because the mode of election and term of office of the members vary indefinitely. It therefore cannot perform the proper function of a Federal Upper House, hence, may decay and disappear. The Cantons possess all residual powers; the central government only those expressly delegated. The latter cover the ordinary subjects, also marriage, political rights, personal liberty and a guarantee of Cantonal territory and constitutions. On some other subjects the Houses legislate while the Cantons administer.

The central revenue comes from Federal property and institutions, customs, the gun-powder monopoly, one-half the gross tax on military exemptions and Cantonal contributions. One-half of the exemption tax and all the liquor tax go to

the Cantons; Uri, Grisons, Ticino and Valais receiving in addition 530,000 francs per annum. The demand of 30,000 voters, or eight Cantons, compels the plebiscite on laws or general resolutions. Amendments may pass: (1) as ordinary legislation, ratified by Referendum; (2) if the Houses disagree on amendment, or 50,000 voters demand revision, the question of revision is put to the people. If carried, new Houses are elected and the amendments submitted to the Referendum. A majority of votes and Cantons is always required for adoption.

The Swiss Legislature is thus somewhat anomalous. Its supremacy in the government would destroy Federalism in any country but Switzerland, and in Switzerland but for the Referendum. The decadence of the Ständerath, financial interdependence of Cantons and government, and legislative dependence on the one side and administrative on the other, all violate the Federal principle.

Both branches of the American Legislature are uninstructed, that is, representative. One represents the people collectively, the other as States. The direct election, short term, and complete biennial renewal of the House make it the radical, propulsive power; while the indirect election, long term, and continuity of the Senate fit it admirably to serve as the balance wheel of the system. The one is common to all the world; the other peculiar to America. Hence it is that while the House receives scant respect abroad, statesmen and publicists everywhere envy us our Senate. After the Supreme Court, it is the most characteristic American creation; and to change its election to direct, as is sometimes proposed, would be to destroy the "sheet anchor of the Constitution." Like the German Upper House, the Senate also has important administrative and judicial functions. These have increased its power, but not equally its usefulness, and the function of confirmation were better placed elsewhere. The American Legislature, unlike the Swiss, is not the government, but only a part of it. As the

State is Federal, so the government is co-ordinate. Both facts are applications of the same principle and are mutually complementary. A centralized government is inconsistent with a Federal State; it ultimately means a centralized State.

The competence of the legislature is confined to powers delegated expressly, or by necessary implication. These include only subjects absolutely demanding uniform action. Perhaps others might well be added, as marriage and divorce; but the exact extent of central competence is less important than the principle governing its relation to the States. Herein lies America's greatest contribution to the world, the most important and far-reaching political principle of modern times: viz., the direct action of the central government on the individual citizen. Its discovery and application by the Constitutional Convention was a pivotal event in the world's history. With it, Federalism sprang forth full armed and set out upon a career of world conquest. It made possible what had always been impossible—internal freedom and external power, local self-government and central national government—in short, States at once vast, complex and free. Its adoption called forth a genuine central government, complete in all its departments; decreeing, judging and executing its decrees and judgments by the hands of its own officers. It made the government and the States absolutely independent and indestructible as regards each other. In this new system, the keystone was the substitution of taxation for requisitions on the States. On this proposition the fight raged, especially in the New York Convention. Its rejection would have meant the collapse of the whole arch. Any dependence of the government on the States, or the States on the government, is a violation of the Federal principle; financial dependence is its destruction.

Amendments to the Constitution become law here, as in Germany and Switzerland, by decree of the sovereign

Federal State, expressed by the people: (1) taken collectively; (2) as States; the one decision being spoken by a certain majority of Congress; the other of the States. The participation of two Houses in the one decision and the exceptional majorities required for both, make our Constitution extremely conservative, but do not alter the principle.

This discussion reveals the following violations of the Federal principle:

1. The Upper House { *De facto* non-existent, in Canada. / Weak in Switzerland. / Instructed in Germany.

2. The government centralized, in Canada and Switzerland.

3. Dependence.

(*a*) of the government on the States for money and administration—in Germany and Switzerland.

(*b*) of the States on the government—for money, in Canada; for money and legislation, in Germany and Switzerland.

The German Legislature is thus the most faulty; the Canadian the next; the Swiss third; and the American least of all. As the American is the first, so it is also the most typical Federal Legislature.

II. EXECUTIVE.—Passing now to the executive department, logically the next in order, the States will be taken up in turn as before.

The German Executive is hereditary as to choice, but like the legislature, constitutional as to origin; hence, equally the creature of the State. He controls peace and war and foreign affairs, declares martial law, commands the army and navy, appoints and dismisses all high officers, civil and military; calls, prorogues, and with the consent of the Bundesrath dissolves the Reichstag; transmits all matters from the Upper to the Lower House, and promulgates all laws, attaching the formal word of command. Administrative decrees—a relic of barbarism—issue from the

Bundesrath, but their execution rests with the Emperor. He names and removes the Chancellor, who is responsible as an officer, but not as a Premier; that is, an adverse vote does not force his resignation. Therefore, the Emperor is not a nominal Parliamentary, but a powerful Presidential executive; possessed, moreover, of a leadership in legislation through a ministry in the House. The chief defect is his hereditary tenure. Only while able and popular can he avoid a clash with the elective elements in the system.

The Canadian Executive is nominally the Queen—*i.e.*, the Imperial Premier; and an occasional Imperial veto reminds the Canadians of their dependence. But actually, the Queen's representative, the Governor-General, is as much a nullity in Canada as the Queen in England. He serves merely as a dignified mouth-piece for the party in power. The real Executive is the Premier, the leader of the dominant party in the House. Therefore the Canadian Legislature, even more than the Swiss, is the government. It not only creates the Executive, but can remove him any moment. Backed by the House, he appoints and removes Senators, Judges, and Lieutenant-Governors of the provinces; commands the militia; has a veto on any provincial law—a power exercised some fifty times—dissolves or prorogues the legislature; and has the exclusive power to originate money bills and to pardon offenders. Such centralized power and blending of functions is incompatible with the continued existence of Federalism. In particular, the central veto on provincial legislation absolutely nullifies the whole system; while that exists, Canada is not Federal except in name. Fortunately, the desperateness of the disease is working its own cure. The veto power has become too dangerous to use, and is quietly passing into the limbo of doctrinaire inventions.

The Swiss Executive is a council of seven, elected for three years by the Assembly and irremovable during that time. Its members represent all parties, and have a voice

but no vote in the Houses. Its competence covers :—leadership in legislation, some judicial cases, foreign affairs, the execution of laws and of Supreme Court decisions, guarantee of Cantonal Constitutions, and the calling out of 2000 troops for three weeks, provided the legislature is not sitting. For the most part, the Council orders—the Cantons execute. If they disobey, it can only quarter troops at their expense, or withhold Federal subsidies. It is thus a Cabinet with only a nominal chief, no Parliamentary responsibility, and little power to compel obedience. Such an anomaly would not last over night anywhere else. It suggests a Board of Trustees rather than a government.

The American Executive is in fact as in name, presidential. He is independent of the legislature both in origin and tenure, and his Cabinet is a body of chief clerks instead of Parliamentary ministers. His appointive and legislative functions have almost equally subserved his power, but not his usefulness. Civil Service Reform means the curtailment of the one; hence the question arises, shall his legislative power nevertheless remain merely negative? Or shall it be made positive, in order to protect his influence and remedy present evils in legislation? A comparison of executives may answer this question.

The American Executive is chosen by the people for a definite term, hence is independent; master both of himself and his policy. The Canadian Executive is chosen by the legislature and is removable at pleasure, hence veers with every popular caprice or passion, and necessarily sacrifices everything to one object—the retention of office.

So far the American profits by the comparison. But as regards legislation, the case is reversed. In Canada, the Cabinet leads legislation and is responsible; in Congress, nobody leads and nobody is responsible. Even the Speaker, the real leader of the dominant party, can affect legislation only through the appointment of committees. The result is more and poorer laws than afflict any other civilized country.

Thus neither Cabinet nor Presidential system is perfect. But might not a combination unite the advantages and avoid the disadvantages of both? Certainly: such is the German. The Executive is independent, hence Presidential; his minister, appointed and removed by him alone, nevertheless has a seat and voice in the Legislature. The departments are not blended, yet the Executive can lead legislation. Instead of merely negative power, as in the United States, he has a positive influence. The German Chancellor is therefore a new, a veritable "*bahnbrechend*" creation; Germany's greatest contribution to politics. Given an elective President, and such a minister or ministers, and the Federal Executive of the future—if prophecy be allowable—would be attained.

III. JUDICIARY.—The Judiciary remains for consideration. In Germany, the courts are State tribunals, except one, although they are organized by and mainly apply Imperial law. All alike are statutory, not constitutional; and just as a stream cannot rise higher than its source, so the courts cannot rise above the legislative or executive interpretation of the Constitution. They may annul a State law, if unconstitutional, but an Imperial law they cannot question. Therefore they cannot restrain unconstitutional acts of the government, or defend the victims of its injustice; the government is final judge of its own actions. It is therefore tyrannical in principle if not in practice; personal liberty is a farce. The States, on the other hand, are collectively—through the Bundesrath—given jurisdiction of political cases involving a State. The defence of the Constitution is thus committed to the hands of its natural enemies—the State governments; and the only remedy at their disposal, Federal execution, is so summary as to insure its non-application. Individuals are left defenceless; the States are made judge in their own case. Nor is this all. Who decides whether a proposed law changes the Constitution? A majority of the Bundesrath? Then the "less than fourteen" clause is

a dead letter. The majority can pass any law by declaring it constitutional. Or perhaps the fourteen decide? Then the legislative power of the rest is annulled. The fourteen can defeat any law by declaring it unconstitutional. Or finally, perhaps the Emperor decides by virtue of his power to promulgate law? Then both Houses become merely ornamental. The Emperor can absolutely veto any bill by first casting the Prussian vote in the negative, then refusing, on the ground of unconstitutionality, to promulgate the law. The construction of the German Judiciary is thus gravely defective. It defeats the chief end of Federalism by not guarding individual freedom. It violates the first principle of Federalism, equally through a theoretic coërcion of the States by the central government, and an actual permit to the States to usurp with impunity. And it endangers the permanence of Federalism by providing no definite body to finally interpret the Constitution. These evils, springing from a common source—the statutory origin of the courts—mark out the German Judiciary as theoretically the most unsound and practically the most unworkable part of the system.

The Canadian Federal Judiciary comprises the Maritime, the Exchequer and the Supreme Court; an appeal lying *Reginæ Gratia* to the Judicial Committee of the English Privy Council. The Judiciary is constitutional, not statutory; created by the Sovereign State, not the central government. Hence, though a veto on provincial acts was given the central government, avowedly in order to prevent the Judiciary interpreting the Constitution, the attempt was vain. It contravened the nature of a Federal State. The courts now pass upon the constitutionality of acts, both provincial and Dominion, and their decision is final. The executive veto is *de facto* obsolete; the judicial decree is supreme. Thus is independence established between provinces and government, and Federalism made a reality.

The Swiss Judiciary has a similar history. The Constitution of 1849 subordinated the court to the central government, and referred all cases involving public law to the Assembly. For the Swiss, like Europeans in general, dreaded the supremacy of the Judiciary in the Constitution. But the logic of facts was too strong for them. A State cannot remain partly Federal, partly not. It must move, if not forward, then backward. The Swiss chose to go forward, hence the revision of 1874 immensely strengthened the Judiciary. The Federal or Supreme Court now has jurisdiction over—

1. Civil cases involving the central government, a Canton, or both.

2. Political crimes against the government or the law of nations.

3. Conflicts of jurisdiction between the government and a Canton, or between Cantons.

4. Violations of constitutional or treaty rights of individuals. But administrative cases—including those arising from the militia, religion, education, taxation, elections, patents, etc., are heard by the Federal Council, from which an appeal lies to the Federal Assembly. This body also decides conflicts of jurisdiction between the different Federal authorities; hence the court is not final judge of its own competence. And finally, it cannot interpret the Constitution, but only apply Federal law; hence cannot declare the latter unconstitutional.

These are grave defects; but the tendency is toward remedying them. The jurisdiction of the Court is widening every day. The Legislature, moreover, now delegates to the Court power to interpret the Constitution in deciding conflicts between Federal and Cantonal authorities. This is a great gain. It shows that the people are learning to prefer the judicial to the legislative interpretation of law. Another revision would probably make the court judge of its own competence and the

supreme interpreter of the Constitution and laws—but for the Referendum. Through that, the people either tacitly or expressly ratify all laws; and as a court in overturning a legislative enactment necessarily appeals to the higher law of the Constitution, *i. e.*, the command of the sovereign people, it can find no ground to stand on when every legislative enactment is ratified by the people, hence, seems to become equally their sovereign command. But we must distinguish between the sovereign people, who decree the Constitution, and the same people acting as the organ of their own sovereignty in accordance with the Constitution. For otherwise, every law would be equally a constitution; no one could take precedence over others. Now the court appeals to the people only in the former sense—as sovereign decreeing the Constitution, not as organ of sovereignty under the Constitution—because in the latter sense, the people are merely co-ordinate in origin and authority with the court. Therefore the court, resting upon the Constitution, may declare unconstitutional a legislative enactment, even though ratified by the people acting as a third legislative chamber. The application of this principle in Switzerland will go far toward completing her Federal system.

The American Judiciary is the most independent and powerful in the world. The Supreme Court, in particular, is both constitutional as to origin, and the judge of its own competence. To it is committed the Ark of the Constitution, and its decisions announce the nullity of all laws which contravene that Supreme Law. Great resistance may override its decrees, unless supported by the Executive, but as it forms the keystone of our whole system the people sooner or later compel the political departments to uphold its decisions. The American Supreme Court is, therefore, without precedent in history.

This comparison of judiciaries discloses two types, and two approximations to a type. The German is one type; the American, the other; and the Swiss and Canadian

are successive stages in the progress from the German to the American. Germany has retained the simple State judiciary; America has perfected the Federal judiciary; the former remaining a government bureau, the latter becoming an organ of the State.

The real meaning of this difference is that functions united in America are divided elsewhere. The American court interprets both public and private law; the German only private law. This necessitates some other organ for public law. For a State is not legally present except when acting; *i. e.*, ordaining or amending the Constitution; therefore, every Federal State must perforce empower some organ to act as its immediate representative, to speak the final word of command. Otherwise the governmental machinery would not run a week. Its very complication demands a controlling hand always present, and as the sovereign is legally absent, a substitute must be appointed to interpret and enforce the meaning of the State as expressed in the Constitution. Whatever organ discharges this function is in so far a new organ. For the time being, it stands clothed in all the majesty of the State and pronounces in its name sovereign decrees before which all, high and low, governors and governed, must alike bow.

The States under consideration, therefore, differ, not as to the existence of this power, but as to its bearer. In Germany it is entrusted to the collective State governments, the natural champions of particularism; in Switzerland to the central Legislature, the natural champion of centralism; in Canada mainly, and in the United States entirely, to the Supreme Court, the natural champion of the law and the Constitution. The two former not only bestow a sacred judicial function upon partisan political bodies, but destroy that *sine qua non* of Federalism—absolute independence of government and States. The American plan, on the contrary, conserves the Federal principle in that it makes neither States nor government supreme. For the Court, as

the highest interpreter of the Constitution, is part of the government as little as of the States; it towers equally above both. It is a great tribunal, legal in training, dispassionate by habit, law-reverencing by nature, placed aloof from political storms, charged to confine government and States within their legal spheres, to interpret the law, to guard the Constitution, to do justice. Such functions must be discharged by a judicial body or become a mockery. Therefore, other things being equal, a Federal State is perfect in proportion as the judiciary is supreme. America's noblest and most characteristic creation is her great Supreme Court.

Thus, a study of the Federal State naturally closes with the judiciary, the keystone of the system. It only remains, therefore, briefly to summarize the results obtained.

III. SUMMARY.

The Federal State is the latest and only successful attempt to unite liberty and order. The ancient cities secured neither liberty nor order; the Roman Empire secured order, but not liberty; Feudalism, liberty, but not order; Centralism, order and national, but not individual liberty; Federalism secures both order and liberty—national, local, minority and individual. It is therefore a new political equilibrium.

States, *i. e.*, peoples, may create a Federal State by self-abnegation, by renunciation of their separate sovereignties in favor of the collective State formed by their union; but once in existence, a State is a State, no matter how it became so; its will is law, and all resistance thereto is rebellion.

The Federal State is the one sovereign people. They decree and amend the Constitution. Therein they create co-ordinate agents, the States and the central government, delegating to each the exercise of certain powers. The States are the embodiment of the centrifugal principle; the government of the centripetal. This is the new equilibrium.

Its maintenance demands the absolute independence of government and States as regards each other, and this demands their absolute subjection to the Federal State through the Constitution. Therefore:

1. Power should be divided; as the State is Federal, the government should be co-ordinated; the Legislature bicameral, uninstructed, one House elected directly for a short term and renewed at each election, the other House elected indirectly, for a long term, and continuous; the Executive presidential, independent of the legislature in origin and tenure, elective, and able to lead in legislation through a minister responsible only to himself.

2. Both the government and the States must be amenable to a higher power; their subjection to the State through the Constitution must be enforced. Therefore, the State must appoint a supreme arbitrator to decide in its name all conflicting claims of competence, and to confine both States and government to their constitutional limits; in short, to interpret and maintain the Constitution. This is the function of the Supreme Court. To entrust this power to government or States is to make them judge in their own case.

3. Neither government nor States must be the exclusive organ through which the Federal State decrees amendments. That would subject the one to the other. Therefore, the agreement of both must be necessary; the government to guard against decentralization, the States against centralization.

The Federal State is thus alone truly stable, because it alone is built upon the eternal rock of natural law; it alone harmonizes and combines the two opposite yet indestructible forces, whose action and reaction fill and move the universe.

Respublica fœderata maximus temporis partus.

E. V. ROBINSON.

Schoolcraft, Mich.

PERSONAL NOTES.

AMERICA.

Cornell University.—Dr. Charles H. Hull* has been elected Assistant Professor of Political Economy, to fill the vacancy caused by the resignation of Professor E. A. Ross.

Leland Stanford Junior University.—Professor Edward A. Ross† has resigned his position at Cornell University and accepted the position of Professor in the Department of Social Sciences at Leland Stanford Junior University. Professor Ross' recent publications are:

"*Turning toward Nirvana.*" Arena, November, 1891.

"*The Standard of Deferred Payments.*" ANNALS OF THE AMERICAN ACADEMY, November, 1892.

"*A New Canon of Taxation.*" Political Science Quarterly, December, 1892.

"*Seligman's Shifting and Incidence of Taxation.*" ANNALS OF THE AMERICAN ACADEMY, January, 1893.

Ex-President Harrison has been engaged to lecture during the winter months at Leland Stanford Junior University on the subject of Constitutional Law.

AUSTRIA.

Vienna.—Professor Victor Mataja,‡ who was two years ago called to the Professorship of Political Economy at Innsbruck, has recently resigned his chair and accepted the Directorship of the Statistical Department of the Austrian Bureau of Trade.

Professor Eugen Philippovich von Philippsberg, who has since 1885 occupied the chair of Political Economy at the University of Freiburg i. Br., has accepted a professorship in the University of Vienna and enters upon his new duties in the fall of 1893. Professor Philippovich was born in Vienna March 15, 1858, receiving his early training in the gymnasia of Vienna and Marburg (Southern Styria). During his university course (1876–82) he spent portions of his time at the Universities of Graz, Vienna and Berlin, receiving the degree of Doctor of Law in Vienna, 1882. During 1881–85 Professor Philippovich held a government position in Vienna, and, 1884–85, was professor in the

* See ANNALS, Vol. iii., p. 373, Nov. 1892.

† See ANNALS, Vol. ii., p. 843, May, 1892, and p. 364, Nov., 1891.

‡ See ANNALS, Vol. i., p. 139, July 1890.

Commercial Academy of Vienna. The succeeding year he transferred his work to Freiburg, where first (1885–88) as extraordinary Professor and then as Professor of Political Economy he lectured upon the several branches of his subject, Economic Theory and Policy, Currency, Banking and Commerce. Professor Philippovich is remarkably clear and discriminating in his exposition of economic problems and is quite free from narrow national bias. Since 1888 he has been a member of the Executive Council of the *Verein für Sozialpolitik*. His chief publications are as follows:

"*Die Bank von England im Dienste der Finanzverwaltung des Staates.*" Wien, 1885.

"*Ueber Aufgabe und Methode der politischen Oekonomie.*" Freiburg, 1886.

"*Gesetze über die direkten Steuern des Grossh. Baden.*" Freiburg, 1888.

"*Der badische Staatshaushalt in den Jahren 1868–1889.*" Freiburg, 1889.

"*Wissenschaftlicher Fortschritt und Kulturentwicklung.*" Freiburg, 1892.

"*Grundriss der Pol. Oekonomie.*" I. Bd. "*Allgemeine Volkswirthschaftslehre.*" 1893.

In Periodicals:—1) In the *Finanzarchiv*: "*Die staatliche Geldverwaltung*" (1884); "*Die deutsche Reichsbank im Dienste der Finanzverwaltung des Reiches und der Bundesstaaten*" (1886). 2) In *Jahrb. f. Nationalökonomie und Statistik*: "*Der Schlussbericht der Trade Depression Commission*" (14. Bd.); "*Neuere Litteratur über Kolonien und Kolonialpolitik*" (16. Bd.); "*Die wirthschaftliche Gesetzgebung Englands in den Jahren 1886–1887*" (17. Bd.); "*Die Verlängerung des Reichsbankprivilegiums*" (20. Bd.). 3) In the *Preussische Jahrbücher*: "*Zur gegenwärtigen Lage der britischen Volkswirthschaft*" (59. Bd.). 4) In the *Archiv für soziale Gesetzgebung*: "*Die staatliche unterstützte Auswanderung im Grossh. Baden*" (1892); "*Der Entwurf eines Auswanderungsgesetzes*" (1893). 5) In *Jahrbücher für Volkswirthschaft u. s. w. des deutschen Reiches*: "*Die italienische Auswanderung*" (1893). 6) In *Revue d'Économie politique*: "*l'émigration européenne*" (4. Bd.). 7) In the *Quarterly Journal of Economics*: "*The Verein für Sozialpolitik*" (1891); "*On Emigration from the European point of view*" (1891). 8) In *Schriften des Vereins für Sozialpolitik*: "*Die Auswanderung als Gegenstand der Reichspolitik*" (52. Bd.); "*Auswanderung und Auswanderungspolitik im Grossh. Baden*" in the same. 9) In *Wörterbuch d. deutschen Verwaltungsrathes*, the articles: "*Gebäudesteuer, Gewerbesteuer, Grundsteuer, Kapitalrentensteuer, Kataster.*" 10) In

the *Handwörterbuch der Staatswissenschaften*: "*Accise, Auswanderung, Banken in Frankreich, Banken in Belgien, Banken in Ver. Staaten, Dampfersubvention.*"

Hermann Ritter von Schullern zu Schrattenhofen, who last year took charge temporarily of the work in Political Economy at the Commercial Academy of Vienna, was last October elected to the Professorship of Political Economy in that institution. Besides the works previously mentioned * Professor v. Schullern has published:

"*Die Gesetzgebung über den Gläubiger—Concurs vom Standpunkte der Volkswirtschaft,* Zeitschrift f. Volkswirthschaft, Socialpolitik u. Verwaltung." Bd. I., p. 52.

"*Bericht über die Thätigkeit des statistischen Seminars an der K. K. Universität Wien im Wintersemester.*" 1891–2. Statistische Monatsschrift. Jahrgang, 1893, p. 46.

Besides shorter articles in: *Litterarisches Centralblat, Jahrbücher für Nationalökonomie u. Statistik, Zeitschrift für Volkswirtschaft, Socialpolitik u. Verwaltung, Statistische Monatsschrift, Oesterreichisches Litteraturblatt* and the *Oesterreichisch-ungarische Revue.*

BELGIUM.

Liége.—Édouard Prosper Marie Joseph van der Smissen, Secretary of the International Monetary Conference, November 22, 1892, was born January 18, 1865, at Alost, in Flanders, Belgium. His early education was obtained in his native city, Alost. From 1879 to 1883 he studied at Brussels, and then, 1884, went to Louvain for university study. The University of Louvain conferred the degree of Doctor of Political Science and Administration on him in 1886, and in 1887 that of Doctor of Laws. On taking his degree he went to Brussels, and was admitted as advocate at the Court of Appeals. April 7, 1892, he was placed in charge of the court of the University of Liége, and on the same date was appointed Adjunct Secretary of the Superior Council of Labor.

He is a member of the following learned societies:

Société belge d'Économie sociale (Secrétaire des Séances, 1890–91); Société internationale d'Économie sociale de Paris et Union de la paix sociale; Société d'Étude sociale et politique (Bruxelles); Société d'archéologie de Bruxelles.

His published works are:

"*L'Irlande économique et sociale en 1889.*" Revue générale. Bruxelles, Juin, 1889.

"*La séparation des pouvoirs sous l'Ancien régime belge.*" Pp. 12. (Compte rendu du Congrès archéologique de Charleroi, 1888).

* See ANNALS, Vol. ii., p. 847, May, 1892.

"*L'Encyclique de la paix sociale.*" Magasin litteraire, Gand, 1891.

"*Le contrat de travail.*" 1° étude. Revue du Monde Catholique, 1891.

"*Les lois de Malthus.*" Revue des questions scientifiques. Bruxelles, Octobre, 1891.

"*Le contrat de travail.* 2° étude, *Les accidents.*" Revue du Monde Catholique, 1892.

"*De l'influence des doctrines de l'Économie politique classique sur le socialisme scientifique.*" Revue des questions scientifiques, Juillet, 1892.

"*Conférence monétaire internationale. Bruxelles, 1892. Pevies-serbaux.*". Revue sociale et politique. Bruxelles, 1893. 2me fascicule.

"*La population, les causes de ses progrès et les obstacles qui en arrêtent l'essor* (*ouvrage couronné par l'Académie des Sciences morales et politiques de Paris*)." Pp. 61. Bruxelles-Paris, 1893.

GERMANY.

Halle.—Dr. Karl Diehl has been appointed Professor (*Ausserordentlich*) at Halle.*

ITALY.

Siena.—Augusto Graziani was last year made Associate Professor of Political Economy at the University of Siena. His former position had been Associate Professor of Finance. He was born January 6, 1865, at Modena, Italy. His early education was gotten in the public schools of Licco and Modena; his university training was received at the law school of the University of Modena, 1882–3, which institution conferred the degree of Doctor of Laws on him in 1886. He then studied Political Economy a year with Professor Luigi Cossa in Pavia, when he was called to an instructorship in Finance at the University of Siena, which position he filled till 1890. He had in the meantime, 1889, studied for a while at the British Museum, London. In 1890 he was elected Associate (*extraordinarius*) Professor of Finance, and two years later was promoted to a professorship of Political Economy, continuing, however, to lecture on Finance. The following are the books and essays which he has published:

"*Sulla teoria generale del profitto.*" Pp. 223. Milan, 1887.

"*Intorno all'anonento progressivo delle spese pubbliche.*" Pp. 77. Modena, 1887.

"*Storia critica della teoria del valore in Italia.*" Pp. viii., 181. Milan 1889.

"*Teoria dell'operazioni di borsa.*" Pp. 57. Siena, 1890.

* See ANNALS, Vol. i., p. 302, Oct., 1890.

"*Di alcune questioni intorno alla natura e agli effetti economici dell'imposte.*" Pp. 80. Siena, 1889.

"*Studi sulla teoria economica delle macchine.*" Pp. 115. Torino, 1891.

His published essays include:

"*Le idee economiche del Manzoni e del Rosmini.*" Milan, 1887. Nei Rendiconti del R. Istituto Lombardo di Scienze e Lettere di Milano.

"*Appunti minimi sulla legge del valore.*" Studi Senesi. Vol. 5°. Fasc. 1°.

"*Natura dell'imposte sulle successioni.*" Studi Senesi. Vol. 7°. Fasc. 1°.

"*Aproposito dell'opera del Loria, Analisi della proprieta capitalistica.*" Giornale degli Economisti. Vol. 5°. Fasc. 3°.

"*La ragione progressiva del sistema tributario in rapporto al principio del grado finale d'utilità.*" Giornale degli Economisti. Serie 2a. Anno 2°. Fasc. 2°.

"*Discussion: Economic Theory of Machines.*" ANNALS OF THE AMERICAN ACADEMY, Vol. ii. No. 6. May, 1892.

"*Di alcuni errori dominanti nella Scienza Economica.*" Studi Senesi. Vol. 9°. Fasc. 1° e 4°.

BOOK DEPARTMENT.

EDITED BY

ROLAND P. FALKNER and EMORY R. JOHNSON,

WITH THE CO-OPERATION OF

Charles F. A. Currier, ... *Mass. Inst. of Technology.*
Winthrop M. Daniels, ... *Princeton University.*
John H. Gray, ... *Northwestern University.*
David Kinley, ... *University of Wisconsin.*
H. H. Powers, ... *University of Wisconsin.*
Edward A. Ross, ... *Cornell University.*

REVIEWS.

Lehrbuch der Historischen Methode. Mit Nachweis der wichtigsten Quellen und Hülfsmittel zum Studium der Geschichte. Von ERNST BERNHEIM. Pp. 530. Leipzig: Duncker und Humblot. 1889.

This is an attempt to state in text-book form the position, methods and progress of historical science. Its success is proved by wide use and steadily gaining popularity. The style is clear, the matter chosen interesting, and the work scholarly. Professor Bernheim is preparing a new edition, and will be grateful for any references to American works on the subject. The six chapters treat respectively of the conception and nature of historical science, methodology, sources, criticism, treatment and exposition. The first two are general and introductory; the third is bibliographical; the fourth probably the most interesting and useful to the student; the fifth, the most scholarly, treats of the interpretation, combination and reproduction of material; the last is short, as it infringes on the domain of rhetoric. The illustrative material is drawn from all periods and from different countries. A large proportion is taken from the Middle Ages, because here historical method can be best illustrated, and the German examples are naturally the most numerous.

The author defines history as "the science of the development of men in their activity as social beings." In this he agrees with von Sybel, and antagonizes Lorenz's or Freeman's limitation to "political activity." This change from the classical point of view is common in Germany, and is due to the development of sociology and anthropology. Logically, from this definition, Bernheim repudiates the terms

"prehistoric" and "unhistoric." He neatly characterizes the phases of historical writing, and shows that only in the last, the "genetic," history has become a science. Throughout he argues against the conception of history as an art. Of especial interest are the portions on philosophy of history; subjective and objective histories; tracking down fables, such as those concerning Tell, "the true wives of Weinsberg," and the Moabite antiquities; recomposition of lost chronicles from fragments contained in other works; and the determination of the date, birthplace and authorship of a document.

This work has met with the most cordial reception. In Germany it is considered "one of the most excellent works of historical science in recent years." Dr. Vincent, who has used it at Johns Hopkins, says: "The best existing handbook on historical science. I think it is strong on the critical side rather than in the psychological analysis or psychological reconstruction of history. No other book that I know of contains the rules of criticism in better form." Among the useful features of the book are carefully selected bibliographies on all the topics treated. The author does not claim to settle any disputed points, but to make a fair statement of the arguments on either side. The book is full of practical suggestions, both general and most specialized, such as the best method of taking notes, or the meaning of "tamen" in Einhard's "Life of Charlemagne." Unfortunately, the use of this wealth of material is hindered by the lack of index and page-headings. In the forthcoming edition we trust that these aids, so essential to a text-book, will be furnished.

D. C. MUNRO.

University of Pennsylvania.

L'Europe politique et sociale. Par MAURICE BLOCK. Deuxième édition, ouvrage entierement nouveau, avec 18 cartes et 5 diagrammes. Pp. 586. Paris: Hachette et Cie. 1892.

This is a new edition of the work that appeared in 1869. The changes in Europe have been so great that it was necessary to rewrite rather than revise the former edition. M. Block's object is to explain rather than to advocate; to put into a book the results of the observation and study which he has for years given to the condition of Europe. The book is divided into three parts: Political Europe, Economic Europe and Social Europe. In the first part, the organization, territory, population, finances, and army and navy of each country are described. The second division of the work deals with the economic life of the several European nations, and treats of their agriculture, industry, commerce and means of communication. The

portion of the book devoted to social Europe comprises over half the volume. Here it is undertaken to describe the complicated moral and intellectual relations of men in society. There is no attempt made to be complete; an exhaustive presentation would require twenty volumes. "But who would read these volumes?" asks M. Block, with the Frenchman's characteristic fear of being dull. Still, the chapters on the social classes are well worth reading. The condition of the classes of society is pictured and the various influences that must operate to improve their status are discussed under the chapter headings, Well-being, Luxury and Misery, Prices and Salaries, Co-operation, Moral Influences and Public Instruction, Crime and Immorality, Socialism, and Social Reforms.

M. Block has no sympathy with Socialism. "What we have is bad," he says; "but that which it is desired to put in its place is a hundred times worse." His facts and figures, however, are not given to prove a thesis; his work is scientific, and the volume will serve as a useful reference book for the general student whose desire is to obtain an outline, rather than a detailed knowledge, of the subjects treated. E. R. J.

Le Socialisme allemand et le Nihilisme russe. Par J. BOURDEAU. Pp. 318. Paris: Félix Alcan. 1892.

Studien über Proudhon. Von Dr. ARTHUR MÜLBERGER. Pp. 171. Stuttgart: G. J. Göschenseche. 1891.

It has been a proof of the weakness of early socialism that its history has naturally been written in the form of a series of biographical studies. In our complex modern world, whatever may be true of primitive times, really great movements are seldom to be attributed to one or a few individuals. The beginnings of great changes are to be sought for not in biographies but in careful analysis of the constituent elements of a period. Socialism has stood this test but poorly, since it has been treated in a legion of books, from Reybaud's "*Socialistes Modernes*," in 1830, to the present, as an account and a criticism of the life and ideas of Babeuf, St. Simon, Fourier, Louis Blanc, Owen, Rodbertus, Lassalle, Marx and a few minor prophets. It is, on the other hand, a sign of our times, an indication of the greater seriousness of the present socialistic movement that individuals are of less importance than the great moving mass, and that M. Bourdeau devotes one half of his book to a study of the origin and progress of German socialism, almost apart from its leaders. It is true that he devotes the second half to biographies of Marx, Lassalle and Bakounine, yet he returns to the other plan in the supplementary on Russian nihilism. In these first and last portions, the value of the book lies.

The original source of socialism may be found, it is true, in the perennial antagonism of the rich and the poor, but it is the economic conditions of the nineteenth century, the introduction of the factory system, with all that it implies, that has been the real soil in which modern socialism has grown up. The late development of this great industry in Germany, the philosophical tendencies, the popular education, the recognized supremacy of the State and the great political movements that have marked the second half of the century, have made that country the chosen land for "scientific" and revolutionary socialism. In a series of chapters the author traces the connection of socialism with the Hegelian philosophy, the various steps in the political agitation, the development of the general views of the party, and finally, the declarations of principles, programs and immediate objects.

The adoption of the theory of the development of history as a succession of periods, each taking its character from the way in which wealth was created and distributed, is an evidence of the close connection between German socialism and German philosophy. This theory which holds so large a place in the work of Marx and gives all subsequent socialistic agitation its fatalistic and prophetic tone is merely an adaptation of Hegel's theory of the self-development of the Idea. The great rôle of the State, in socialism, is a natural development from Fichte's conception of the solidarity and high possibilities of organized society. The whole critical method of the socialists connects itself closely with the dialectic of classical German philosophy. Secondly, the growth of socialism, on its political side, is traced from Lassalle's success in causing the break of the workingmen's party from the progressists through the slow growth of the period of neglect and internal conflict to the series of growing victories under the influence, direct or indirect, of the war of 1870; then through the era of legal repression from 1878 to 1890, to the triumph of the election of that last year, in which the socialist candidates received 1,341,587 votes, and thirty-five members of the Reichstag were elected. M. Bourdeau of course recognizes that by no means all that cast socialist ballots hold socialistic views. It is rather the great party of the discontented, those who are dissatisfied with all other parties and wish to record their discontent, rather than such as could be relied on to support the particular reforms which the socialists propose. Under the chapter heading "*l'esprit et la doctrine*," a study is made of the development of socialistic teaching on various economic and social questions. The strength of socialism on its critical side, its weakness, confusion and contradiction in the field of practical plans are given full, the latter, perhaps, more than full recognition by the author. A

convenient chapter is made up by a complete transcript of the successive programs of the German socialists, with comments. These include the Gotha program of 1875, the reorganization program of Halle, in 1890, and the Erfurt program of 1891. Subjoined is the gist of the well-known report of Goehre on his three months' experience as a factory laborer.

The three studies of the life, character and teachings of Marx, Lassalle and Bakounine, and the chapter on Russian nihilism complete a book which is valuable not only from its considerable information, its attractive style and its keen suggestions, but from its being a beginning of the true way to study socialism, that is as a part of modern life, not a series of detached biographies and criticisms.

Dr. Mülberger's "*Studien über Proudhon*" is a book with quite a different purpose. With the author's distinct opposition to State socialism, he looks to Proudhon as being a powerful opposing force through his destructive criticism of the theories on which State socialism is based, and yet a force which is largely lost in Germany because of the slight degree to which Proudhon is known there. The commonly acknowledged difficulty in understanding his views or the danger of their being misunderstood is attributed by the author to three causes: first, the close connection of all Proudhon's writings with the events or conditions which immediately called them forth; secondly, his peculiar, idiomatic and epigrammatic style, brilliant and eloquent indeed, but difficult for a foreigner or a translator; and, thirdly, his special treatment of technical terms, using them always with the pregnancy of their whole historical significance. These characteristics, which to the author rank only as difficulties to be overcome in reading Proudhon, may seem to other minds to be indications of the necessary limitations of his influence to his own time and nation, and a justification as well as an explanation of the comparatively small influence of his work in Germany, England or America.

With the object of avoiding the difficulties of the characteristics mentioned, Dr. Mülberger devotes the most considerable chapter in his book to an interpretation of Proudhon's theory of universal suffrage, studying, step by step, the changing views of his author on that question and the significance of these views in their bearings on Proudhon's theory of social organization. Proudhon's literary activity fell into three natural periods, the first from his entrance into public notice in 1839 to the outbreak of the revolution of February, 1848, the second, the period of that revolutionary movement and its immediate consequences till about 1853, and the third, that of his most mature and moderate writing, down to the time of his death. In the first of these periods he was critical and scornful; in the

second, revolutionary, and then constructive; in the last, philosophical and aspired to be an historian. The remainder of the book consists of the explanation of a project which Proudhon submitted in 1853 for using the equipment of the Paris Exposition of that year as a permanent basis for the reorganization and centralization of the whole trade of France, an outline of a posthumous essay on the period of the beginnings of Christianity, and critical articles on two German books about Proudhon.

The work is marked by scholarly treatment, an apparently clear insight into Proudhon's character and ideas, and a high conception of the significance of the work of that writer.

If the first book which we have described was a notable study of the history of German socialism by a Frenchman, this is an equally important study by a German of one of the most interesting and significant of French social critics.

E. P. CHEYNEY.

University of Pennsylvania.

Die Volkswirthschaft und ihre konkreten Grundbedingungen (*Erstes Kapitel einer Volkswirthschaftslehre*) von LUJO BRENTANO in the "*Zeitschrift für Social und Wirthschaftsgeschichte.*" Erster Band, Erstes Heft. Pp. 77–148.

Readers who are familiar with the controversy which has arisen over the origins of human society, and especially with the latest contribution to it by Westermarck in his "History of Human Marriage," will find little that is new in the first chapter of Dr. Brentano's *Volkswirthschaftslehre.* The value of his discussion lies not in the conclusions, but in the form in which they are here presented, and in the historical introduction which precedes. In some respects the latter is the most suggestive part of the whole, for it traces briefly and compactly the growth of the appreciation of economic history and the characteristics of primitive man through its various historical phases in Europe. Mediæval conditions were not favorable to such study, and the character of the original man, as founded on ancient philosophy and the Bible, and strengthened by processes of *à priori* reasoning, became stereotyped in the dogmas of the Church. This conception, finding support in the revival of the Roman Law and the *Jus Naturale*, given a peculiarly practical value by Rousseau in his doctrine of men as free and equal and by the liberals of Europe in their theory of a natural right, first entered into the economic system through the physiocrats, whose interpretation of *Volkswirthschaft* was purely individual. Hence arose what Dr. Brentano calls the "*individualis-*

tisch-atomistische Lehre," which is contained in the works of Quesnay, Turgot, Adam Smith, Bastiat and others. This, however, found an opponent in the "*socialistisch-organische Lehre*" of Rodbertus, which was the outgrowth of the socialistic ideas of the present century, due to the incomplete and misleading conception of society as an individual, in which each particular individual served merely for the spiritual, moral and economic well-being of the state (p. 93)—a view still defended by Wagner. In opposition to both these *à priori* views, there has stepped forward that which alone is historical and scientific, which Dr. Brentano calls the "*historisch-empirische Lehre*," the discussion of which occupies the remainder of the chapter.

In the application of the scientific method to the problem, three phases are to be noted, which are characterized respectively by the patriarchal theory, the theory of promiscuity and the monogamic theory based on a refutation of the theory of indiscriminate sexual intercourse. It is the third of these that Westermarck supports and Brentano follows. In the latter's attack upon promiscuity, he accepts Westermarck's conclusions, although it is evident that he has investigated somewhat on his own account and differs, according to his own declaration (p. 109), from Westermarck on many points. The fact that his argument is more directly framed for the purpose of refutation, and the fact that it is more logically expressed than is Westermarck's, makes it worth while to indicate the more important theses which he seeks to establish, for in these theses lies the chief argument against promiscuity.

In the first place, Dr. Brentano affirms the priority of an original monogamic family. This he defines as "*eine Verbindung zwischen einem Manne und einem Weibe, die mehr oder minder lang, aber jedenfalls über den Zeugungakt hinaus bis nach Geburt des Erzeugten dauert.*" (p. 148.) As the next step, he attacks Morgan's group-theory, asserting that not a single historical example of it exists (p. 110), and that all other evidence fails when tested (pp. 111–117). He examines Morgan's system of nomenclature (p. 123) and his interpretation of Mutterrecht (pp. 124–125), and finds no evidence to support promiscuity in either. After demolishing Morgan's structure, he cites Maine's opinion (quoted by Westermarck) that promiscuity leads to sterility, and therefore could not have existed. Passing to a defence of a primitive monogamic family, he draws from Westermarck the conclusion that mammals, which are nearest to man, live "*in patriarchalische Familie mit einem oder meheren Weibchen*" (p. 125), and he asserts that jealousy, the universal prevalence of which was denied by Giraud-Teulon, Le Bon and others, does exist among the most uncivilized peoples (*Cf.* Westermarck, pp. 117–132). Lastly, he fails

to find that any of the upholders of the theory of promiscuity can clearly explain how the later patriarchal family developed from an original condition of promiscuity (p. 126). At this point he enters into a discursus upon the various phases of Morgan's argument, refuting the view that property and inheritance were earlier than marriage and monogamy, on the ground (*inter alia*) that the first property was the wife herself. He further denies that the position of woman was one of freedom and prominence among primitive peoples, and declares such a view to be "*eine der dreistesten und unwahrsten Verallgemeinerungen ganz vereinzeller Vorkommnisse sei*" (p. 131), thus accepting Dargun's criticism (in "*Mutterrecht und Vaterrecht*") of Bachofen in "*Das Mutterrecht.*"

His discussion as to whether *Mutterrecht* and *Vaterrecht* represent and accord with economic stages of development is interesting, although here again he draws heavily on Westermarck for evidence. He begins by saying that neither of these conditions of family life determine the position of women or the degree of advancement reached by a primitive people, "*Bei den Malayen mit Mutterrecht ist die Frau ganz ebenso das Arbeitsthier wie bei den Battas mit Vaterrecht*" (p. 132), and he shows that Mutterrecht exists among a people who already have private property in things. In entering upon his own explanation of this he discards Morgan's American Indian evidence as not reliable because influenced by contact with civilization and from other sources, draws the following conclusions: Many people have passed from the stage of squatter activity (*occupatorische Thätigkeit*) directly to the stage of agriculture. In such the woman remains the chief worker and Mutterrecht or what can be misunderstood as Mutterrecht is found. If necessity compels a change to a life in which the care of the family demands increased labors on the part of the man, then Vaterrecht will follow. Thus, in cases where the conditions are such that the man enters the house of the woman, it is Mutterrecht, if the woman that of the man, it is Vaterrecht; while under other conditions equality obtains. Furthermore, there are cases of other activity where Vaterrecht is found. This regularly is the case where the transition is made from the hunting and fishing stage to the nomad stage. Here the work of the woman is limited to spinning and weaving, and she decreases in importance and value. She enters the family of a man and the children belong to his family; Vaterrecht follows, although traces of Mutterrecht may still be seen. If, however, we examine the normal development from squatter activity to nomad life and then to agriculture, we will find a more uniform alteration of the relation of man and woman. Here Vaterrecht, long sanctioned, never goes back to Mutterrecht. The woman rises in the

position she occupies; marriage by purchase ceases, she is no longer considered as merely the property of the man.

Last of all, Professor Brentano discusses the origin of polygamy and polyandry. These he derives from certain economic conditions, in nowise dependent on the stages of development. The fundamental cause is the preponderance of the one sex over the other, induced by circumstances, not easily explicable, but probably connected with the wealth or poverty of a region or people. This view is practically but a résumé of Westermarck's twenty-first chapter.

To criticise this interesting paper would be to enter upon a judgment of Westermarck's book. That this is a remarkable book no one will deny; that all his conclusions are established, Westermarck himself would be the last to affirm. Professor Brentano's chapter is an exceedingly useful epitome of the whole controversy. It may be said, however, that the belief that society looks back to an original monogamy (as defined above), and that its origin is to be found in the family, seems probable; but at the same time it does not touch the mooted question as to whether the state has grown out of the family or the tribe. Both Westermarck and Brentano have examined the question in its social and not in its political aspect.

CHARLES M. ANDREWS.

Bryn Mawr College.

Die französische Politik Papst Leo IX: Ein Beitrag zur Geschichte des Papstthums im elften Jahrhundert. Von WILHELM BRÖCKING. Pp. 106. Stuttgart: G. J. Göschensche. 1891.

The importance of transitional periods in history cannot at present be insisted upon too strongly. There has been a tendency to state that there are certain salient facts in history "which tell the whole story." This is true only when we understand the exact position of these facts in the general history of the period. Such knowledge can be obtained only by a careful study of what has prepared the way for them and of the events which have followed in their train. Otherwise, the salient facts either have no significance or else are seen in a distorted light.

This monograph deals with one phase of the activity of Leo IX., the first of the German "reform-popes" in the eleventh century. From the light that it throws on the aspirations of the papacy while Hildebrand was still an humble servant, it is pregnant with meaning. Even if the future Gregory VII. inspired the policy here described—and this has been plausibly suggested—this study shows how fully the initial plans had been formed before he entered upon his pontificate. The author prepared this material four years ago, but was prevented

from publishing it then. Consequently it comes to us now, after ripe meditation and a careful consideration of the whole literature of the subject.

In Germany or Italy, Leo could make little attempt to raise the position of the papacy, as his activity was limited by the power of Henry III. In France, on the contrary, he had to do with a weak king and a loosely organized feudal state. In the council at Rheims Leo clearly showed his policy. He passed over almost unnoticed the subjects of celibacy and simony, about which he had been so strenuous in Italy; but he insisted upon the papal primacy. He cited the accused to appear before him outside of their ecclesiastical provinces; he attacked the king, by placing under the ban the bishops who had obeyed the feudal and not the papal summons, and through the canon "that no one shall be promoted to an ecclesiastical office without the election of the clergy and people." The king felt unable to resist. William of Normandy, afterwards the Conqueror, forbidden to marry Matilda, obeyed as long as Leo lived. In this connection Bröcking corrects a mistake into which Freeman was led, in his Norman Conquest, by following an inaccurate chronicle.

Leo was prevented from carrying out this bold French policy by the pressure of other interests, more essential to him. But the attempt was an earnest of the policy of the papacy when it should have less powerful opponents. The pope was closely allied with the German emperor, and entered upon this radical course unhindered by him. And yet this same policy was destined to make every temporal ruler a bitter foe to the papal pretensions, and finally to destroy the ideal balance so dear to the mediæval mind.

D. C. MUNRO.

University of Pennsylvania.

The Social Condition of Labor. By E. R. L. GOULD. Johns Hopkins Studies, Eleventh Series, No. 1. Pp. 42. Baltimore: The Johns Hopkins Press. 1893.

Many have felt a regret that the Commissioner of Labor in commenting upon the valuable facts which he publishes in his reports does not go a step further and tell us what conclusions he thinks admissible from them. Doubtless it is wise on his part to refrain from so doing, though the public may be the losers by it. Dr. Gould, who has been intimately connected with the recent work of the Department on "Cost of Production," has given us a very admirable survey of the results of that inquiry in some of its aspects in his monograph. The monograph is, in the main, a comparison between the social condition

of the workingman, as revealed by the inquiry, in the United States and foreign countries. It dissipates exaggerated notions of the relatively superior condition of the workingman in the United States, but demonstrates incontestably that the conditions of a healthful and hopeful economic existence are much more nearly realized here than in Europe. In certain branches, however, the American workman is hard pressed by his British competitor. Evidence is produced respecting the relative condition in America of foreign born and natural born workmen. It is clear that certain classes of emigrants adopt American habits so rapidly as to equal the native born in earning capacity and along certain lines even to surpass him. We cannot but commend Dr. Gould's study to all who desire an open-minded comparison, perfectly accurate within its limits, of the social condition of the workingmen of the United States with those of other countries.

R. P. F.

Étude sur l'enseignement de l'Économie politique dans les Universités d'Allemagne et d'Autriche. Par HENRI ST. MARC, professeur à la faculté de droit de Bordeaux. Pp. 140. Paris: Larose et Forcel, and Armand Colin et Cie. 1892.

In the spring and summer of 1891 the author visited the leading universities of Germany to study the spirit as well as the mechanism of the instruction in political economy. His observations and conclusions are pleasantly recorded in the present volume. The work is, however, more than a mere summary of university practices and regulations, for the author has given a very judicious and very correct survey of the tendencies of economic thought in Germany. He passes judgment upon none of them. It is his office simply to record and he has given his countrymen a faithful picture of the various shades of opinion which form the distinctive characteristic of German economic thinking and writing. He complains that in France German economics are commonly understood simply as State socialism, not infrequently with the misunderstanding that Adolf Wagner is the type of the German professor. He shows clearly how a common spirit of special research, and a recognition of the functions of society as a whole, pervade the economic thought of Germany, but assume manifold phases in harmony with the varying mental temperament of the many interpreters. He demonstrates very justly, as it seems to us, how greatly economists have been influenced by the recent economic legislation of Germany and yet how small a part they have had in originating it. Furthermore, he fails to see the necessary connection between the economic theories of the German professor

and his attitude toward practical questions, and in this many will agree with him.

Passing to an account of university methods he gives an interesting description of some of the more prominent teachers and their work. He is much impressed by the great freedom of the German university teaching, and appreciates fully the influence of their university methods in producing such a number of eminent investigators. On the other hand, the study of political economy in the German university lacks co-ordination and stands too much alone. But the author is not attempting a criticism of German institutions, and the predominant tone of his work is to dwell upon the more commendable sides of the German system.

It is in seeking to ascertain what France may learn from the Germans that we occasionally catch a glimpse of disapproval of their system, as one of universal application. He would secure for the French Universities something of the mobility which he found in Germany, a greater measure of special training for professors of economics and such a stimulus to the work of the students as seems to him to exist in the German *Seminarien*. But he would not relax the hold which the French have over their students by means of examination, and he would make the instruction in economic science, not a mere object of study, but a part of required training for practical work along various lines, for which, at present, a strictly legal course suffices. In this portion of his work the author gives some very instructive glimpses into the organization of the French universities which in general are little known.

Perhaps the most significant aspect of the work to a foreigner is the fact of its appearance. It is a tribute to the activity and insight of the younger generations of economists. It seems to presage a time when all their labors will bear a fruit and when the economic theory that sits enthroned at the institute must feel the rejuvenating touch of this laborious and ambitious group of thinkers. R. P. F.

The Free Trade Struggle in England. By M. M. TRUMBULL. Chicago: The Open Court Publishing Company. 1892.

The nucleus of this book was published in 1882 under the title of "A History of the Free Trade Struggle in England." Its popularity induced the author to revise and enlarge it in 1884, and the present book is the second edition of this enlarged work.

Mr. Trumbull is an uncompromising free-trader. He believes that protection is not only bad as a policy, but also bad in its influence upon the morality of a community. His book, therefore, reveals

great earnestness of purpose. It was written for the avowed object of influencing public opinion in the United States, and the author's attitude is consequently that of the advocate instead of the scientist. Numerous expressions in nearly every chapter are evidence of this bias. For example, on p. 24 the protection system is referred to as "the insular and bigoted system of restriction which had burdened the industries of England for hundreds of years." On p. 38 it is called an attempt to protect the English farmer against "the creative sunshine of the American sky, and the fertility of the American soil." On p. 41 is the following statement: "The 'cruelty' of giving the people abundant food was maintained by the Protectionists until that 'humane' system actually culminated in famine."

The subject-matter of the book consists chiefly of the arguments used in and out of Parliament for and against the protection system. There are interspersed, of course, statements of the laws passed and repealed, and of such facts as the author deemed necessary to substantiate his statements. Statistics and references to authorities are for the most part wanting, and in view of the author's very evident bias, the query often arises in the reader's mind whether the case is being stated with entire fairness and impartiality. It almost invariably happens that the arguments of Mr. Cobden and the supporters of the league are shrewd, sound and convincing, while those of the enemy are fallacious, weak, and not infrequently insincere. In conformity with the fundamental purpose of the book, the author loses no opportunity for drawing a parallel between the arguments used by the protectionists of Great Britain in the forties and those used by the American protectionists at the present day. In the preface to the first edition he writes, "The arguments used by the advocates of the American protection system in 1884 are all borrowed from the speeches delivered in the British Parliament in 1844 by the advocates of the English protection system," and the main thesis of the entire book is that the case of England in the period from 1838 to 1846 was in all essentials what that of the United States is at the present time.

Due weight being given to its limitations, the book has many merits. It gives in short space a clear and, for the most part, a correct account of the free trade struggle in England; it is interesting and generally convincing; it introduces the reader to the great characters engaged in the struggle, as well as to the arguments employed by them. If read in the light and full knowledge of the author's bias, it will give to the general reader just about the quantum of knowledge concerning English experience which he needs for intelligent thought on the question at present under consideration in this country.

University of Wisconsin. WM. A. SCOTT.

Industrial Freedom: A Study in Politics. By B. R. WISE, Sometime Attorney-General of New South Wales, and Honorary Member of the Cobden Club. London and Melbourne. Cassell & Co., Limited, 1892.

Taxation and Work. A Series of Treatises on the Tariff and the Currency. By EDWARD ATKINSON, LL.D., PH.D. Pp. 296. New York and London: G. P. Putnam's Sons. 1892.

The Farmers' Tariff Manual, by a Farmer. By DANIEL STRANGE, M. Sc. Pp. 363. NewYork and London: G. P. Putnam's Sons. 1892.

This is a group of books devoted to the well-worn subject of Protectionism. The first one is the most pretentious and also the best of the three, containing as it does, the most complete survey of the subject that has recently been published.

Mr. Wise, the author, was a friend of Arnold Toynbee's; and the present book had its beginning in an essay written under the direction of Toynbee. Its "writer's best hope is that those who knew Toynbee, and those who trace one small portion of their better selves to the influence of his luminous enthusiasm, may not think the tribute [of its execution to his memory] altogether unworthy." The spirit of the book is certainly not unworthy of its writer's friend. It is written in a temperate, fair, and large-minded spirit, but is not at all lacking in definiteness or decision so far as the expression of the author's views are concerned. He leaves no room for mistaking him for an adherent of Protection.

At the beginning of his work, Mr. Wise gives an analytical summary of his arguments, tabulated so as to present in twenty pages his whole field of survey.

The first part of the book treats of "the revival of Protection, its nature, causes and significance." This is the part of the book that is really new. The Protection of to-day, the author says, differs from that of forty years ago in its objects and in the industrial character of its advocates. Hence it requires to be met by a different line of argument from that which was in use at an earlier period. Indeed, the two main claims of Protection now, "the expressed intention of creating new industries, and the readiness to submit to temporary sacrifices for the purpose of securing this result, can both lay claim to be justified by the reasoning of English economists; and they have consequently fallen into the error of repeating old truths to opponents who do not deny them."

The author points out, what is undeniable, that the recent growth of commercial restriction by tariffs is intimately connected with the growth of militarism and the spirit of nationalism. His treatment of this topic is judicious and clear.

The author is careful in his main discussion to separate the political arguments from the economic, and insists that the latter should be considered first, because a tariff is intended directly to influence production. This claim is doubtless partly correct, but overlooks the protectionist argument that a tariff should be laid sometimes to influence distribution primarily.

Speaking of "nationalist economies" (national economy), the author insists that there can be no such science, because no "*scientific* results are possible from a 'science' whose subject is the 'comfort and happiness of a nation.'" That, of course, is something to be proved, and our author assumes it. If by "scientific" he means physical, or mathematical, he is right. Yet why may there not be a science of the comfort and happiness of a nation as well as of the world, such as Sociology or Political Economy, even in the sense in which Mr. Wise would himself doubtless distinguish these from national economy?

In connection with prices Mr. Wise maintains that free trade cheapens production and that "of this sort of cheapness there can never be too much." This, too, is rather strongly stated. As President Andrews has pointed out, when prices fall even on account of improvement in processes of production, there is a disturbance of credit and at least temporary distress.

Mr. Wise admits the possibility of the truth of Professor Patten's claim that "free trade depresses wages to the profit of rent," but replies that while the statement is theoretically sound under some circumstances, these are in practice non-existent. He then discusses the more common arguments on each side of the question, and insists in conclusion that Protection is an economic, political, social, and moral evil. The errors of the book, some of which have just been pointed out, do not vitiate the main argument, which is strong and well put. The book is well worth the attention of those who wish a logical presentation of the subject.

The appendix gives some valuable statistics.

Mr. Atkinson's book is written in his usual incisive style. The first two or three chapters are devoted to a review of the receipts and expenditures of the National Government, in order to bring out clearly the burden of tariff taxation. Here Mr. Atkinson is at his best, as he always is in the manipulation of statistics. Incidentally he mentions a topic of grave concern to the best interests of the public service, namely, "the beggarly compensation of United States officials." We cannot hope to get the best men into public service so long as the compensation offered is not only less than they can earn in private enterprise but even less than sufficient for their adequate support.

The arguments of the book for free trade are, in the main, the familiar ones, illustrated and enforced from our recent experience, and do not need review. There are some instances of bad, or loose logic, and unfortunately there is a lack of logical connection between the chapters, and consequently a lack of unity in the treatment.

After the tariff discussion proper are some chapters on silver, the most interesting of which is the one which advances a plan for maintaining "silver equal to gold." The plan, which Mr. Atkinson borrows from Mr. Chauncey Smith, is to tax all silver product, domestic and imported, "in a sum that would represent the exact difference between the value of silver bullion in its ratio to gold." Poor English obscures the meaning, but the idea is to tax silver so as always to keep its ratio to gold constant. To do so it would be necessary to raise the tax as the price of silver fell and to lower it in the converse case. The first result of such a policy would be to close all the mines on the margin of productivity. If the demand remained the same, or increased, the tax would tend to be shifted to consumers, in higher prices, the product would again increase and the ratio of the two metals would vary. In short, if demand did not diminish, the proposed plan while cutting off supply in one direction would stimulate it in another, and so change the ratio, making frequent readjustments necessary. Moreover, the tax would virtually be paid in silver, of course, and issued by the government as coin, thus swelling the amount of money. The practical difficulties in the plan are obvious.

"The Farmers' Tariff Manual" is a popular presentation of the usual arguments against protectionism. The style is intentionally that of debate, forensic rather than scientific; but the author puts his case pleasantly and forcibly. Mr. Strange presents a strong argument in the lucid comparison he makes between Victoria and New South Wales. It would be a good thing if more were known in this country of the development of these two colonies. Australian experience has many valuable lessons for us. The book has some interesting statistics.

D. K.

University of Wisconsin.

Causes of the American Revolution. By JAMES A. WOODBURN, Ph. D., Tenth Series, No. 12, Johns Hopkins University Studies in Historical and Political Science. Pp. 64. Baltimore: The Johns Hopkins Press. 1892.

The purpose of the monograph on "The Causes of the American Revolution" is to review those causes which are the final and efficient. The year 1763 is taken as the starting point of the study, because,

by the Treaty of Paris, it was decided that America was to be English rather than French. The English Government made the mistake of regarding her colonies as Rome had looked upon hers, as an investment for gain, instead of treating them, as she has done since the American Revolution, as a part of the original body politic. The attempt to establish military rule and the commercial policy pursued are explicable on this basis.

Dr. Woodburn discusses the three measures assigned by Lecky as the causes of the Revolution: These were: (1) To enforce the trade laws; (2) To quarter in America a part of the British army; (3) To raise by Parliamentary taxation a part of the money necessary for the army's support. The controversy over taxation without representation is discussed at length; and the grounds on which the English Government based its action in 1764 are stated in so fair a way that we can easily understand how the English were surprised at the opposition of the Colonies. Dr. Woodburn states in the best possible way the grounds on which the Colonies based their resistance to taxation without representation by giving the chief provisions of the Declaration of Rights passed by the Stamp Act Congress in 1765. The American Colonists did not object to "external" taxation, *i. e.*, taxation levied by Parliament outside of the Colonies for the purpose of regulating trade, but to the "internal" taxes, which they claimed the sole right of levying. The arguments of Burke, Pitt and Camden, who took the American side of the controversy, are briefly given.

The monograph makes no pretence of treating the religious and other social forces that tended to separate the Colonies from the Mother Country, but deals only with the political and economic causes. The work is a University Extension lecture expanded; it makes no contribution to the subject except that of presenting in concise and readable form some of the information contained in the works of Greene, Seeley, Lecky, Franklin and other standard authors. E. R. J.

NOTES.

IN A LITTLE book, "Our Children of the Slums,"* Annie Bronson King has told eight short stories in a very interesting style. The children who figure in the stories are taken from the saloon, the home of the Russian Jew, the tobacco factory, the *crèche*, and the tenement house. These touching little stories contain as much, if not more, instruction in regard to the life of the struggling poor than the average reports of charities that issue from an official bureau, and by their appeal to our sympathies may, perhaps, accomplish as much good.

ARTHUR MACDONALD divides his work on "Criminology" † into three main parts: General and special criminology and bibliography. In the first part the author summarizes the opinions of Lombroso and followers as respects the physical side of crime. The author's work shows diligence, but he is no more convincing than the writers he follows. Special criminology is a somewhat diffuse record of certain criminals whom the author has questioned and whose records he has examined. The bibliography seems fairly complete, and the most systematic thing between the covers of the book.

IT IS a pleasure to look over the pages of Mr. Ropes' account of the campaign of Waterloo.‡ It is an eminently scholarly and discriminating account of the most generally interesting, perhaps, of all campaigns. By a plan of separating the critical notes from the body of the text the ordinary reader may avoid detail which can hardly interest him, and which is still requisite in a complete account of many controverted points. Little or nothing is said of the incidents of battle. The movements of the several armies and the purposes and mistakes of their leaders, Napoleon, Ney, Grouchy, Blücher and Wellington are treated in a clear and convincing fashion. It is not hard to see why the French lost in the final engagement. It is the author's conviction that although Grouchy would have prevented the defeat of Napoleon had he promptly advanced, he ought not to be considered the sole cause of the defeat.

* "OUR CHILDREN OF THE SLUMS." By ANNIE BRONSON KING. Pp. 54. New York and St. Paul: D. D. Merrill Company, 1892.

† "CRIMINOLOGY," by ARTHUR MACDONALD New York: Funk & Wagnalls Company, 1893.

‡ "THE CAMPAIGN OF WATERLOO," a Military History, by JOHN CODMAN ROPES. Pp. xlii 401. New York: Charles Scribner's Sons, 1893.

MR. LECKY, in a charming little essay,* which Messrs. Appleton and Company have made accessible to the American reader, gives a brief, clear statement of his views on the value of historical study. He sensibly rejects both extreme views of history, as on the one hand determined solely by an indefinitely long series of deep, general causes and on the other as the result of an individual activity or of accident. The study of the slow development of institutions and of violent revolutions, each have their peculiar educational value. "The power of realizing and understanding types of character very different from our own is not," he thinks, "an English quality, and a great many mistakes in governing the nations come from this deficiency." "He who has learned to understand the true character and tendencies of many succeeding ages is not likely to go very far wrong in estimating his own." Mr. Lecky, from the well-known range of his studies, is peculiarly well fitted to deal with this somewhat neglected topic and no one can lay down this little book without feeling that he has distinctly gained by its perusal.

IN A LITTLE book, "Commercial Crises of the Nineteenth Century,"† Mr. H. M. Hyndman has undertaken to enlighten his critics concerning the causes of the regularly recurring industrial crises. The introduction and the last chapter of the work deal with causes and remedies, while chapters one to nine describe the nine principal periods of business depression that have occurred during the present century. Crises were unknown before the advent of capitalistic production, *i. e.*, the system of producing articles of social use for profit by means of paid laborers. The causes of industrial depressions are independent of population, forms of government, extent of territory, restricted or inflated currency, gold or silver standard, any special system of banking, or of protection and free trade; but are the result of the "antagonism between social production for social purposes and individual appropriation and exchange for individual profit." The thing that must be done to avoid crises is to make appropriation and exchange, as well as production, social. This can only be brought about by the action of the State in its different forms, it alone can "reduce to order the existing anarchy" and "establish an equilibrium between production, consumption and general distribution for the benefit of all."

* "THE POLITICAL VALUE OF HISTORY," by W. E. H. LECKY, LL. D., D. C. L., Pp. 57. New York: D. Appleton & Co. 1893.

† "COMMERCIAL CRISES OF THE NINETEENTH CENTURY," By H. M. HYNDMAN. The Social Science Series. Pp. 174. London: Swan Sonnenschein & Co. New York: Charles Scribner's Sons, 1892.

This is manifestly not a new doctrine, and the critics of Mr. Hyndman and other socialists will doubtless fail to see wherein they have been much instructed. In spite of the assurance to the contrary on the part of the author they will continue to see grave difficulties in the way of the introduction of socialism, and will hardly assent to the doctrine "that capitalism has outlived its usefulness and must be replaced by another and higher form of industrial and social organization."

THE BERING SEA ARBITRATION,* by Dr. James C. Welling, treats, its sub-title indicates, of "Pelagic sealing judicially considered according to a particular analogy of municipal law." This analogy is found in the property rights of individuals, in animals which, such as bees and pigeons, have the habit of returning to a certain spot. During their migrations the property right of the owner does not cease. The principle is common to the Roman and the Common law. It is, as Dr. Welling shows, peculiarly applicable to seals, from whatever point of view we consider them. If the analogy be allowed, the *mare clausum* argument becomes unnecessary, though it is not impeached, for, as the doctrine of *mare letrium* is formulated by leading writers, it refers to productivity of the sea irrespective of the labor of man. The main discussion is as to character of the animals, whether they are to be regarded as absolutely wild and the property of him who takes them, or come under the analogy to which allusion has been made. That the latter is the case, and that the analogy should be followed, is well set forth in the pamphlet. Whether or not there is precedent for it is a question of fact, but that such a recognition of it is called for by all the facts in the premises, and by the dictates of international morality which should crystallize in international law, is strongly urged.

IN connection with the weekly edition of *The Summary*, published at the New York State Reformatory, a twenty page monthly, also named *The Summary*, has been established. The first issue was in February. The aim of the weekly is to furnish the inmates of the Reformatory with proper current news and with good helpful literature. The monthly is intended for circulation outside of Elmira and beyond the State boundary, and contains, in the main, short articles on penology, by specialists. The monthly will be of much usefulness and do much to promote the reformation of the criminal classes by bringing methods of reform before the public.

* 18 pp. Washington: The University Press, 1893.

NUMBER ONE, volume one, of *The Bulletin of the Christian Social Union in the United States and Canada* appeared last month. Dr. Richard T. Ely, of Madison, Wisconsin, is the editor. The Christian Social Union in the United States and Canada was established two years ago on the lines of the English Society, and with the same principles as the basis of its work. These principles are:

1. "To claim for the Christian Law the ultimate authority to rule social practice."

2. "To study in common how to apply the moral truths and principles of Christianity to the social and economic difficulties of the present time."

3. "To present Christ in practical life as the Living Master and King, the enemy of wrong and selfishness, the power of righteousness and love."

The movement is, thus, one on the part of churchmen to bring about a closer relationship between the church and economic reform by means of the circulation of literature and the organization of local societies of Christians for the study of economic and moral questions. The Right Reverend F. D. Huntington, of Syracuse, New York, is the president of the Society, and Dr. Ely is the secretary. Fifteen local "Branches" have been organized thus far. The March *Bulletin* contains a "*Course of Study on Socialism*," The outline consists of an analysis of Schäffle's "*Quintessence of Socialism*," with numerous references to other works for purposes of further study. The other special feature of the *Bulletin* is an article by Mr. David Kinley of the University of Wisconsin, on "*The Ethical Justification of Labor Legislation.*" The *Bulletin* does not claim to be a magazine, but aims to a dissemine literature among the members of the Society and keep the various "Branches" informed concerning each other.

PROFESSOR WOODROW WILSON contributes to the April issue of the *Review of Reviews* a critical estimate of Mr. Cleveland's new Cabinet. After considering the President's policy in the matter of selection, each member and his fitness for his respective functions is discussed. Dwelling upon the fact that the present Cabinet is not composed, with one striking exception, from party leaders, Mr. Wilson observes: "Sooner or later we must recognize in the Cabinet the President's responsible party council, and must require our Presidents, not by hard and fast constitutional provisions, but by the more flexible while equally imperative mandates of public opinion, operating through the medium of the Senate, to call to the chief places in the departments representative party men who have accredited themselves for

such functions by long and honorable public service." The writer deprecates the rigid separation between the legislative and executive branches of our Government. "We risk every degree of friction and disharmony rather than hazard the independence of branches of the Government which are helpless without each other. What we need is harmonious, consistent, responsible party government, instead of a wide dispersion of function and responsibility, and we can get it only by connecting the President as closely as may be with his party in Congress. The natural connecting link is the Cabinet."

THERE are few subjects on which the public interest is more centered than on the treatment of criminals, and Samuel J. Barrows has performed a good service by his description of "The Massachusetts Prison System" in the *New England Magazine* for March. The article describes at some length the two reformatory institutions—The Sherborn Prison for women, South Framingham and the Concord Reformatory for men; and then speaks of the Massachusetts State Prison, and the Boston city institutions at Deer Island. To the success of reform in prisons the most essential requisite is an "all-pervading and all-controlling personality" on the part of the superintendent. This the Sherborn Prison has in Mrs. Ellen C. Johnson, whose administration is most successful. Prisoners are divided into four classes and promotions are made on a system of credits. The practice of binding out female convicts as domestic servants has been so successful that it has become impossible to fill all applications. School is held every day from one to three o'clock. Mrs. Johnson has also shown that the operation of a farm and a dairy in connection with the prison for women is not only financially and otherwise possible but that the influences are strong over the moral development of the inmates. The Concord Reformatory is modeled after the well-known one at Elmira, New York; the classification of the prisoners is into three classes, the same as at Elmira, and the school work likewise includes both book study and industrial training, though still in a less comprehensive degree than at the New York Reformatory. The most distinctive feature of the Concord methods is the establishment of social, literary, scientific and moral societies. This plan of improving the prisoners, for which the late Gardiner Tufts was responsible, seems to have worked well, and Mr. Barrows is convinced that the social plan is preferable to the separate system followed by the Eastern Penitentiary in Philadelphia. "Of the Massachusetts State Prison," says Mr. Barrows, "nothing may here be said except that it needs a thorough reorganization and reconstruction." The Boston city institutions at Deer Island also are greatly in need of improvement.

Perhaps the feature of the Massachusetts prison system that may most profitably be studied is the Prison Commission. It is composed of five members, two of whom are women. They receive no remuneration except payment for traveling expenses and the salary of a secretary. Much of the improvement that has taken place in prisons since the establishment of the Commission in 1879 has been due to its work. Mr. Barrows calls attention to the ways in which the county prisons of Massachusetts need reforming; but for lack of space omits to tell about the way in which Massachusetts is trying to reform juvenile offenders.

THE PENNSYLVANIA TAX CONFERENCE represents a unique method of instituting tax reforms. It was not appointed by the legislature and acts under no authority but its own. Its originator was Mr. J. A. Price, member of the State Senate. After the defeat of the tax bill of 1891, he proposed that the various interests which contribute the State revenues should come together voluntarily to formulate a new plan of tax reform. Under his initiative a call was issued for a meeting of representatives of six of the great State interests, viz.: Agriculture, transportation, commerce and manufactures, labor, trade and the county commissioners. The meeting was held at Harrisburg in February, 1892, and the conference there organized. It was believed that if a tax bill could be framed which was acceptable to the interests represented there would be little difficulty in securing its passage by the legislature. What success the conference will meet with remains to be seen. In the meantime it has nominated from its own members a commission for the purpose of examining and reporting upon the value of the various classes of property in the State, and another to examine the tax laws of all the States. An interesting report has been published by each of these commissions.

The commission on valuation, of which Mr. Jos. D. Weeks, of Pittsburgh, is chairman, undertook to ascertain the actual value of all classes of property in the State. It relied largely on estimates made through the assistance of special agents sent into the different counties. For certain classes of property, however, another estimate was made on the basis of insurance reports. The latter gave the larger total which the commission accepted as being more nearly correct than the other. The total value of all property in the State, as thus estimated, is $9,692,125,553. The report contains, furthermore, interesting statistics and information regarding the value of the different classes of property embraced in the above total, the amount of taxes, State and local, assessed on different classes of property taxed and the amount of property exempt from taxation.

The other report, that of the committee to examine the tax laws, presents in tabulated form a summary of the principal features of the laws in different States. The committee favors the "American plan of raising revenue for State and local purposes by means of an *ad valorem* tax on property," and believes that the system adopted in other States of taxing all property at a uniform rate is preferable to the Pennsylvania plan of selecting certain classes of property as objects of taxation and thus exempting all other property.

MUCH has been written about the Labor Bureaus of the United States and their functions, but probably no better account has been given than the testimony of Dr. Elgin R. L. Gould before the English Labor Commission in December last. Clothed in the somewhat unpalatable form of question and answer, it is not altogether easy reading, but it is a valuable record of facts. They are stated with clearness, accuracy and remarkable completeness. It is a tribute to the impression made upon the commission by Dr. Gould's evidence that the English government has since established a labor bureau along the lines suggested by Dr. Gould.

THE ANNUAL MEETING of the National Civil Service Reform League was held April 25 and 26, at the City Club, New York.

President Schurz delivered the annual address, April 25, at 8 p. m., in the Assembly Hall of Madison Square Garden.

April 26, papers were read by Charles J. Bonaparte on "The Use of Patronage to Influence Legislation;" by W. D. Foulke on "Platforms and Promises;" and by C. N. Gregory on "The Corrupt Use of Money in Politics." Resolutions were adopted reaffirming the principles of the league, and expressing regret that President Cleveland still permitted the allotment of fourth-class post-offices as prizes of political service.

A committee was appointed on the erection of a memorial to the late George William Curtis.

The meeting closed with a banquet at Hotel Savoy, at which brief speeches were made by Rev. Dr. Lyman Abbott, Carl Schurz, Everett P. Wheeler, Edward Cary, of the New York *Times;* Professor Edmund J. James, of the University of Pennsylvania; L. B. Swift, F. E. Leupp, W. W. Vaughn, F. M. Loomis and others. Mr. Loomis urged that a State association be organized in New York. Professor James pointed out the need for educational and scientific work in order that candidates for office may be thoroughly prepared for their duties, and thus, by their efficiency, prove the superiority of the reform over the spoils system of appointment.

INDEX OF NAMES.

ABBREVIATIONS.—In the Index the following abbreviations have been used; *art.*, article by person named; *b.*, review of book of which the person named is the author; *p. n.*, personal note on the person named; *r.*, review by the person named; *trans.*, translation by the person named.

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